

# VENTURE FINANCING IN THE SCIENTIFIC AND PRODUCTION SPHERE OF THE REPUBLIC OF UZBEKISTAN

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**Abstract.** *The article is devoted to the possibility of venture financing in the Republic of Uzbekistan for the scientific and industrial sphere and its positive aspects for the development of the national economy of the country.*

**Key words:** *investment, venture investment, scientific and production sphere, experimental design, scientific research. venture funds.*

## INTRODUCTION

Theoretical foundations of financial mechanisms, features and international experience of venture investment are considered in the works of L.I.Abalkin, V.L. Aksenova, Ivolgina N.V., N.B.Boldyrev, A.D.Sheremet and others. Despite the availability of a large number of books and articles on venture capital investment, information quickly becomes outdated due to the rapid pace of economic development and changes in market conditions, sometimes with a change in government methods to support its development. It is necessary, in our opinion, to develop a set of measures to support innovative R&D projects using venture capital investments to ensure the sustainable development of the economy of Uzbekistan, which is the process of increasing use of advanced knowledge.

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 [7].

## MATERIALS AND METHODS

According to the definition of the European Venture Capital Association, venture capital is equity capital provided by professional firms that invest in and manage private enterprises that demonstrate significant growth potential [3].

By definition [4], the created venture can be internal or external. Internal is an organizationally separate division of the enterprise. Financing 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 that implements an innovative project in the field of creating high technologies and developing science-intensive products. The capital of such an enterprise is formed from various sources of funds. The sources can be contributions from the developers of an innovative project in the form of intellectual property rights or funds, raising capital from private investors or various venture funds, etc., for example, in Russia these are Russian corporations and private investors Rostelecom, Sberbank, VTB, etc.

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

- the fund is created in the form of LLC;
- the initial authorized capital in the amount of 15 billion soums will be formed from the funds of the 2020 State Budget allocated to the Ministry of Innovative Development;
- 100% of the authorized capital is transferred to the State Assets Management Agency.

The Decree stated that “The Fund will finance venture projects, while allocating only 30% of the funding, the rest of the companies must find themselves. Priority are the most prepared projects, more applied close to the market. Usually these funds are financed before the company reaches a certain level of its development. An important area of its activity is the organization of annual venture fairs, where they present their business to potential investors. In these fairs, the innovative potential of the Republic of Uzbekistan is shown. To manage the fund, qualified specialists from among foreign citizens with international work experience will be attracted” [6]. Some benefits are given, such as those financing high-tech entrepreneurial start-up projects and high-tech start-up projects, as well as those financed from venture funds will be exempted from paying all types of taxes and mandatory payments for several years, with the exception of a single social payment.

In 2020, a draft law of the Republic of Uzbekistan “On partnerships” was released, which regulates, among other things, the investment activities of management and investment companies, as well as qualified investors. But, in fact, venture business in Uzbekistan began to take shape in 2021. On May 20, 2021, the first private venture fund was opened. The investment company SEMURG VC, which unites a venture fund and venture business, has entered the venture investment market. The Fund has set itself the task of creating and scaling technology start-ups in Uzbekistan. It was planned to finance projects in the field of financial technologies, e-commerce, the agricultural sector and corporate software.

But with all diligence, there is currently a slow development of the venture market, this can be explained, in our opinion, by the low level of investment culture and experience of entrepreneurs, the lack of professional management personnel in venture funds. For example, scientific developments of existing research institutes and design bureaus have a high innovative potential, but there is not enough experience in commercializing technologies in market conditions, applied developments of an innovative nature of research organizations have not been implemented for many years due to lack of funding.

In our opinion, in order to improve the organization of the work of venture funds, it is necessary to study the experience of conducting the work of these funds. For example, in Russia, new organizational and legal forms have been formed, which will significantly simplify the procedures for the formation and organization of the activities of funds, primarily those that carry out venture investments. Investors associate to jointly invest in unincorporated companies, are required to make contributions both in cash and in property, and have the right to profit from participation in the partnership. It can replace mutual funds. It is more understandable to foreign investors. To conduct it, it is necessary to improve the existing institutional environment and development institutions so that they contribute to the development of mechanisms and tools for technology commercialization.

## **RESULTS AND DISCUSSIONS**

To strengthen the country's innovative potential, a special environment should be created for the development of innovative and venture business. Innovation, as we know, refers to the profitable use of innovation in the form of new technologies, products and services. New

technologies and innovative developments are developed mainly in research institutes, design bureaus, NGOs and design bureaus. The activation of innovations is impossible without the creation of effective investment mechanisms with the involvement of these organizations. Venture business is an investment in innovative projects at the early stages of development of companies with the subsequent exchange of the investor's finances for a share in the business.

If scientific projects are financed at the early stages, implementation is significantly reduced, but due to the high risk, venture funds prefer to work with enterprises at the stage of the "pilot production" cycle. It should be noted that the whole cycle consists of "education-science-experimental developments-pilot production-implementation-commercialization". Research organizations and design centers, due to the high cost of experimental devices and devices, have a high need for additional funding. To reduce the risk, we have proposed a mechanism for joint organization of the work of research institutes, design bureaus, venture funds according to the following scheme:

Stage 1 of work - among all research institutes and design bureaus, to determine the number of innovatively active developments and projects, in order to calculate their share on a regional scale, it is necessary to determine the specific total of innovative projects and developments in the total volume of scientific developments.

Stage 2 of work - among all research institutes and design bureaus, determine the share of innovatively active research institutes.

Stage 3 of work - to study the volume of venture financing and the number of venture funds.

The 4th stage of work is the analysis and distribution of funds according to the share of activity.

## **CONCLUSION**

In our opinion, to improve the stimulation of the research and production sector, the use of venture capital and venture capital will become the locomotives of a new innovative development model;

The proposed recommendation to improve the organization and management of these funds significantly accelerate the introduction of innovative scientific developments and new technologies in the country's economy; correspondingly increase the productivity of scientific workers, creating in them a spirit of competition for increases of a creative nature.

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