

VENTURE CAPITAL AND INNOVATIVE DEVELOPMENT OF THE ECONOMY OF UZBEKISTAN

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Abstract: The article deals with topical issues of venture investment, defines the role and main directions of state influence on the formation of venture funds, and suggests ways improvement of the venture capital market.

Keywords: innovations, innovative economy, investments, innovative investments, venture capital, venture investments.

Introduction: The accelerated development of a market economy in Uzbekistan is closely related to the solution of a number of problems that arise at each stage of its development. In this regard, an important place is occupied by the issue of innovative development of a socially oriented market economy. Recently, a number of documents have been adopted, such as the Strategy for Innovative Development of the Republic of Uzbekistan for 2019-2021, the Strategy for the Investment Policy of the Republic of Uzbekistan until 2025, the Strategy for New Uzbekistan for 2022-2026, which define the need, conditions and prospects for the development of our country. [1]

At present, innovative development is becoming the most important element of the socio-economic development of countries and regions of the world economy. Without innovation, the economic system would not reach a stable equilibrium that would hinder the further development of the national economy. In Uzbekistan, as in other states of the world community, work is underway to modernize, technical and technological re-equipment of industrial production, and to involve academic and industrial science in this process. The cardinal development of the economy of Uzbekistan, the course towards an innovative model for the development of the national economy require the search for new effective sources and tools for financing innovative projects. One of such tools, proven by the long-term practice of innovation-oriented states, is venture financing.

Analysis of literature on the topic:

Venture investment originated in the middle of the last century in the United States and has already become an object of study in the works of foreign and national researchers, such as V. L. Aksenov, Yu. P. Ammosov , P. G. Gulkin [2] . International studies in the field of venture capital investment were also studied - L.P. Dana, Gompers P. and Lerner J. [3].

Research methodology:

Used methods of scientific abstraction, logical analysis, statistical method **Analysis and results:**

Venture capital is an effective tool for ensuring the competitiveness of numerous competing economic entities in a market economy and . Suffice it to say that in modern conditions more than 80% of GDP growth is achieved through the application of the results of research and development work in production. Abroad,

mainly in the United States and some countries of Western Europe, the mechanisms of venture financing of entrepreneurial projects have been widely used in practice for more than a decade and have become more widespread in recent years. The total global venture capital market surpassed \$100 billion in the mid-1990s. In 1996 alone, new venture capital investments in the United States amounted to about \$10 billion , and on the European continent almost \$8 billion.[4]

The fact is that it was venture capital with its distinctive features that played the most important role in the second half of the 20th century in the implementation of the largest scientific and technical innovations in the field of microelectronics, computer technology, computer science, biotechnology and other high-tech industries. It is no coincidence that therefore the development of venture business is actively promoted by the state bodies of a number of leading industrial countries. In doing so, they proceed from the need to increase the competitiveness of the national industry in the face of increased competition in the world market. A significant role is also played by concern for maintaining the level of employment of the population, including through the creation of new jobs in small businesses.

The main distinguishing feature of venture capital is a very high or relatively high degree of risk. Based on this, individual authors distinguish two signs of venture investment: the first is its high-risk nature, the second is professional . The characteristic features of venture investment that distinguish it from other types of investment are: its close relationship with innovation and research activities; commercial significance of the innovative project; fragmentation of the project. The world experience of Western countries and Europe shows us the positive impact of the state on the development of venture capital enterprises. With the help of indirect incentives in the United States, the state began to actively develop innovative business. In 1980, the Stevenson- Widler Technological Innovation Act was passed , which included a number of measures to stimulate industrial innovation. Since 1981, a system of tax incentives for R&D has been actively formed in the United States. In 1982, Congress passed the Small Business Innovation and Development Act. Since 2002, there has been a clear upward trend in the volume of venture investments. In 2007–2008 a record volume of venture investment in the United States was reached - more than 30 billion dollars a year. In 1973, the National Venture Capital Association (National Venture Capital Association - NVCA) with the aim of creating awareness in a wide circle of the importance of venture capital financing to strengthen the competitiveness of the US economy, as well as to represent the interests of venture capitalists and developing companies in society. In improving the investment climate, the main task of the state is to correctly determine the main directions and degree of its participation in this important matter, as well as the role and importance of the private sector and ways to enhance its involvement in investment processes on an innovative basis. State measures to promote and support venture financing of innovative projects, as it were, fill the insufficient volumes and gaps in private investment markets and thereby create favorable conditions for the formation and development of small innovative enterprises.

In the world practice, a wide arsenal of instruments of indirect influence on the activation of the activity of venture business entities is used. These include the formation of a favorable legal environment in the areas of taxation and accounting, credit and financial policy, business law, registration and permits of the judicial system, bankruptcy procedures, in particular:

- creation of a favorable regime for taxation of income from operations with securities;
- elimination of double taxation of investors involved in the formation of venture funds;
- legislative provision of conditions for entry into venture funds of institutional investors: pension and insurance funds, banks;
- training and advising entrepreneurs, disseminating information among them about promising projects and potential investors

The special significance and increased role of venture investment projects in Uzbekistan at this stage of development are due to the actualization of the problems of digitalization of the economy and the intensive development of science-intensive production in the country in the face of an acute shortage of investment resources. The following are identified as the most promising areas for the development of venture investment in Uzbekistan: a deep study of the best practices of the world's leading countries in the venture industry with the aim of its creative application in relation to the conditions of Uzbekistan; enhanced training of personnel for the needs of this industry; expansion and development of scientific, theoretical and applied research on venture investment problems at the republican and regional levels; development and application of mechanisms for attracting private savings of the population into investments and turning it into the most important source of financing for innovative projects.

Currently, in Uzbekistan, the development of the market for venture capital investments and direct investment of innovations is an important priority for the state macroeconomic policy and increasing the competitiveness of industry and other sectors of the national economy in the world market for goods and services. In this regard, a number of measures were taken in the country, which laid the foundation for venture capital investment in Uzbekistan.

Thus, in November 2018, the President of the Republic of Uzbekistan signed the Decree “On additional measures to improve the mechanisms for financing projects in the field of entrepreneurship and innovation”. According to this document, the creation of investment and management companies is encouraged in order to promptly and effectively attract investment deposits from investors, primarily foreign ones. On May 17, 2019, the Cabinet of Ministers adopted the Resolution “On the activities of investment and management companies”, which published a list of priority innovative, experimental design start-up projects recommended by the Ministry of Innovative Development for venture financing. A very important event was the creation of the Venture Capital Investment Association of Uzbekistan (AVUz). Its activities are aimed at promoting and attracting venture capital to domestic start-up projects, conducting scientific research on the venture investment

market in the country, and training and retraining specialists in venture investment. In September 2019 at the Digital Forum Uzbekistan announced the formation of the first Venture Fund in Uzbekistan. Its target size was \$10 million, the average investment for each project is set from \$25,000 to \$100,000. To date, the fund has already established partnerships with such well-known venture capital players as Aleinikov and Partners (Belarus), Global Venture Alliance (USA), QazTech Ventures (Kazakhstan), RB Partners (Russia) and others. In November 2019, Uzbekistan, in cooperation with the UAE, launched a large-scale project “One Million Uzbek Programmers” to train personnel for new domestic IT companies. It should be noted that the distance free education provided within the framework of this project makes it possible for people with disabilities to obtain a profession in demand. In May 2021, AVIUz opened a private venture fund Semurg Ventures worth \$5 million. The investment strategy of the fund covers scalable projects at the initial stage of development in the field of financial, insurance, b2b SaaS - and agricultural technologies. The Decree of the President "On measures to improve the activities of the Direct Investment Fund of the Republic of Uzbekistan" (UP No. 215 of 07.09.2022) was adopted. In accordance with the Decree, the joint-stock company "Management Company of the Direct Investment Fund of the Republic of Uzbekistan" was transformed into an investment company in the form of LLC "Direct Investment Fund of the Republic of Uzbekistan" with an initial authorized capital of the equivalent of 100 million US dollars. The authorized capital of the investment company will be increased to 1 billion US dollars. In general, summing up, it should be noted that venture financing in the country is at the stage of development and improvement special role in the development of the venture industry in Uzbekistan.

According to the Investment Program for 2021–2023, it includes:

- 7 trillion soums , including \$37.5 billion of foreign investment;
- a targeted program for the commissioning of large production facilities and capacities in 2021, which provides for the creation of 226 new production facilities and more than 34 thousand jobs [5].

Conclusions and offers:

The study and generalization of the best practices of the countries of the world community showed that it is venture capital investment that is the most effective and highly profitable type of attracting investment resources to fixed capital. For Uzbekistan, with limited capital opportunities and huge investment resource needs, to achieve innovative economic development and growth as part of the country's large-scale reforms, this aspect is of utmost importance.

Based on the above problems, we consider it necessary:

- to introduce significant changes in the legislative framework of the state, in order to create favorable conditions for the development of venture capital, to overcome corruption tendencies in the development of innovative business,

- improve the economic mechanism for stimulating investments in venture capital, which is directly related to attracting foreign capital, as well as other financial instruments for the development of large businesses.

-provide grants for venture organizations and attract public resources to their investment activities on a shared basis;

-create more venture funds focused on financial support for innovative projects of small, private and medium-sized enterprises in priority sectors of the economy of Uzbekistan.

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