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## Venture Capital is a Catalyst for the Development of the Innovative Economy of Uzbekistan

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**Annotation:** A necessary condition for the positive development of the national economy today is fast-acting and effective innovations. Acceleration of scientific and technological progress in the XX-XXI centuries. changed human life. Each new discovery or invention brings serious changes not only to the life of people, but also to their consciousness. Technogenic civilization has achieved enormous, unprecedented successes, but the possibilities of its development within the framework of the former, conservative, industrial technological model have been largely exhausted1.

And although innovation has become a hot topic of our time, its origins go back to the history of mankind. The acceleration of innovative development can be easily determined by the dynamics of any direction of scientific and technological progress in any branch of technology, as well as economics, management, finance, and accounting.

**Key words:** economics, management, finance, accounting, business, finance, strategy development methods, marketing.

The availability of resources is an essential determinant in the implementation of the innovation process when translating the results of research and development into a commercial product. Innovation starts with fundamental research and ends in product use. The connection between these polar spheres is capable of being implemented by venture capital (from the English "venture" - "risk venture or undertaking").

In the conditions of intensive scientific and technological progress, the refusal to implement risky, but at the same time promising business projects threatens in practice with great losses for the economy and society as a whole, due to the possible loss of competitiveness of national producers in the foreign and domestic markets, and hence the inevitable reduction in production, a decrease in the income of citizens and the state budget, an increase in unemployment and other negative socio-economic consequences. Rational economic logic led us along the path of developing such organizational and managerial decisions that, on the one hand, should contribute to the implementation of promising but risky business projects (including those related to the commercialization of the most important scientific and technological achievements), and on the other hand - would allow minimizing the risks of individual investors, while maintaining their interest in achieving the goals set by the entrepreneur. This approach eventually materialized in venture financing mechanisms for entrepreneurial projects[1].

In principle, venture financing should not necessarily be associated with innovations - the commercialization of scientific and technical developments. However, the commercialization of innovations requires venture financing, since the entire innovative path is high-risk, which is explained by the peculiarities of the market of ideas and know-how. It is in this case that a venture investor has the opportunity to make a profit several times, or even tens of times, exceeding the capital expended.

Venture capital is a special link that brings together carriers of money capital and carriers of technology, and it is he who solves the problem of financial insufficiency in the sector of start-up innovative projects[2]. However, venture capital includes not only the direct investment of financial resources in a young innovative company, but also the "investment" of intellectual capital in the form of innovative ideas, knowledge, experience, "know-how" in the field of marketing strategies, organization of management and production. This merging of financial and intellectual capital is due to the fact that the implementation of an innovative project requires not only financial resources, but, of course, innovative ideas, as well as certain knowledge in the field of business, finance, strategy development methods, and marketing, the presence of which should partly help to minimize innovative risks. Venture capital is the result of the integration of financial and intellectual capital. And venture capital acquired the features of an independent element of the economic structure only when it began to work for the technological and information revolution. The most striking example of the combination of high technology and venture capital is the Silicon Valley in California, the center of modern American computer science and telecommunications.

Thus, the main role of venture capital is to create conditions for achieving sustainable innovative development of the economy.

Analysis of the modern venture capital market: trends and limitations. Despite the fact that the venture business in Uzbekistan is young, in recent years it has been developing quite rapidly. However, the dynamics of the venture capital market development is subject to market changes.

The functioning of venture capital is presented in the form of certain stages. They roughly correspond to the stages in the life cycle of a firm or an investment. It should be noted that venture capital does not necessarily go through all the stages. The initial phases of a high-risk project, when the risks are at their highest, are called the "valley of death". It is at this stage that attracting resources is most difficult, but also most necessary for the introduction and development of "breakthrough" innovations.

At the last stage of venture capital exit most often there is a sale of a share in the invested company to a strategic investor. As for the IPO market, as a way to get out of invested companies, it does not yet constitute much competition. According to the forecasts of fund managers, in the near future the sale of a stake to a strategic investor will be the most likely way to exit the project.

Based on the objective conditions of market relations, the largest volume of investments will go to those industries and areas that, according to investors, will bring the greatest income. In general, a financial service is understood as the implementation of banking operations and transactions, the provision of insurance services and services in the securities market, the conclusion of financial lease (leasing) agreements and agreements for the trust management of funds or securities, as well as other financial services. In other words, part of these funds is placed in the form of bank deposits. Some experts believe that the funds that are kept on deposits in banks are reserved for further rounds of investment funds. However, in our opinion, the value of such reserves should be optimized, since the diversion of a significant amount of venture investments from innovative projects contradicts the main purpose of venture capital and slows down the development of an innovative economy.

Thus, Uzbekistan has a unique situation for venture investment: an excess of financial resources and a lack of projects where these funds can be invested. In order to activate the venture business, it is necessary to realize the reserves that contribute to the growth in demand for venture capital, that is, to activate the emergence of high-tech companies.

In many ways, the choice of areas for the application of investment resources is determined by the institutional environment in which the business operates. Venture capital is inherently high-risk. In addition, the existing institutional environment enhances the influence of external risk factors due to the lack of venture legislation, the imperfection and instability of tax legislation, the lack of guarantees for property rights, and the weakness of the

system of legal protection of rights in the field of economic activity. The institutional environment, in addition to special legal institutions, is also characterized by informal restrictions (rules, traditions, etc.) that are formed under the influence of political, economic and sociocultural dynamics. Thus, the institutional risks of venture business can also be caused, for example, by the high proportion of criminal elements. Among the components of the institutional environment, the infrastructure for supporting venture business is also of some importance.

A venture national venture fund has been created in Uzbekistan, without which the dynamic development of the IT industry is not possible. The Cabinet of Ministers adopted a resolution dated November 3, 2020 No. 684 "On measures to organize the activities of the National Venture Fund "UzVC". 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. The Fund will finance venture projects of legal entities and individuals, including in partnership with foreign entities.

A very important event was the creation of the Venture Investment Association of Uzbekistan - AVIUz. 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 of venture investment specialists.

The Federal Target Program for Supporting Small Businesses, including their venture projects, and many other projects are being implemented. However, the created infrastructure, despite the numerous elements, has not confirmed its effectiveness. Thus, in particular, most technoparks and business incubators, created with the participation of state budget funds, simply rent out premises to various companies that have nothing to do with innovation. Experts explain this by the lack of a system for evaluating the effectiveness and monitoring the activities of business incubators and technology parks by the state.

The existing institutional environment and "development institutions", in particular, do not contribute to the development of mechanisms and tools for the commercialization of intellectual resources, which are the basis of venture business. The inefficiency of the use of the intellectual resources of Uzbekistan is demonstrated by the data of the negative dynamics of the number of researchers, while there is an opposite trend in the world. Uzbekistan is still losing intellectual resources due to the migration of scientists and researchers abroad. Thus, tens of thousands of highly qualified scientists leave Uzbekistan every year. More than 84.5 thousand citizens of Uzbekistan, as part of an organized recruitment, went to work in Russia in 2021.

Thus, the development of the domestic venture capital market is hindered by a number of bottlenecks caused by institutional restrictions. The current institutional environment contributes to the weak integration of financial and intellectual capital, which is the basis for the functioning of venture capital.

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