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THE ROLE OF VENTURE BUSINESS IN THE COUNTRY'S ECONOMY

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Summary: The authors investigate the essence and role of venture business in the country's economy. It is noted that the venture business involves investing in risky projects. The advantages and disadvantages of venture capital investment are highlighted. It is emphasized that several types of enterprises can be objects of investment. Measures that can promote the development of venture business in the country are outlined.

Keywords: venture business, venture capital, economy, investor, enterprise.

Venture capital is a form of direct investment in small and medium enterprises, whose main activity is to conduct research and development and creating new knowledge-intensive ideas that are applied in practice. This type of business begins with the calculation and development of plans for financial benefits. Many people call this type of business small because it usually starts with an idea, which in turn starts with a small amount of capital or financial resources. Most businesses are supported by profitable business organizations.

In general, the venture business is born out of a need for something that is lacking in the current market. This demand could be a service or product that

consumers ask for or need to achieve a goal. Once the need is identified, a prudent investor or small business person can start a business that has the resources to develop and sell a new product on the open market. This covers many different economic sectors. Everything from restaurants / cafes / bars to multimillion-dollar technology startups can be considered a business event. The main difference between such investments and ordinary ones hides in the potential of the project. If a risky company finds the right business model, it will be able to become a major player in the market, and investors will expect a profit that is sometimes thousands of times greater than the investment. In the case of ordinary investments, the investor expects a stable but not very high income, but the risks of such an enterprise are usually much lower. If the company is waiting for success, then later it will be possible to sell its share in it with great benefit.

The main disadvantages of venture capital investment [1]:

1) High risk. According to statistics, 75% of venture projects do not return money to investors. 20% of startups fail within the first year, 30% - within two, 50% - in the next five years. The future of the startup is uncertain, and the possibility that it will burn out is great.

2) Long wait. Some projects take off quickly, but some companies need time to promote, sometimes quite long.

3) Danger of fraud. This is a fairly common phenomenon in the world of venture capital. For example, financial pyramids can operate under this cover. Therefore, you need to study very carefully the projects you plan to deal with.

4) A large amount of independent work. It is difficult to find a good project, because all early startups are not public, and several similar startups are difficult to compare.

5) Passing threshold. Usually this threshold is quite high, so the venture business does attract no one.

Usually the objects of investment are several types of enterprises [2]:

1) business ideas (seed stage) - in fact, it is only a project that needs to be funded to conduct additional research or create pilot product samples before entering

the market;

2) start-up firms - a newly established company that is just being formed and has no market experience, funding for such companies is needed to conduct research and start sales;

3) early stage companies - those enterprises that were born independently, already have ready-made developments, but do not have the funds for further development. Such companies may be unprofitable and may require additional funding to complete research;

4) expansion companies - are companies that have already fully mastered their market and are ready to expand their influence to others, but they have no money to develop new territories. Investments can be used to expand production and sales, conduct marketing research and more.

Thus, venture capital investment is one of the most effective ways to finance venture capital for private ventures engaged in risky research and development.

To support and accelerate the development of the venture capital market in Ukraine, the following measures of state support for venture capital development should be taken [3,4]:

Direct measures include: specific state support mechanisms aimed at increasing the supply of venture capital (tax incentives, riskier public investment in equity and public loans);

Indirect measures include: development of competitive stock markets for small firms, expanding the range of products offered by financial institutions, development of long-term sources of capital, simplification of venture capital funds, stimulating cooperation between large and small enterprises and financial institutions, encouraging entrepreneurship, creating appropriate conditions for the participation of venture funds in crowdfunding.

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