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THE ROLE OF VENTURE CAPITAL IN THE INNOVATIVE DEVELOPMENT OF A TRANSFORMED ECONOMY

Chulliyev Suhrob Rabbonaqlovich*

*Senior Lecturer at the Department of Geography and Economics,
 Navoi State Pedagogical Institute,
 UZBEKISTAN
 Email id: suhrobchulliyev@gmail.com

ABSTRACT

The article examines the research of a number of scientists on the role of venture capital and innovation in the innovative development of a transforming economy. The innovation activity of enterprises and organizations of Uzbekistan is analyzed. The advantages of venture financing are highlighted.

KEYWORDS: *Innovation, Transformation, Venture Capital, Technology, Venture Financing.*

INTRODUCTION

Uzbekistan's entry into the group of leading countries in terms of GDP, per capita income and many other parameters is impossible without transforming the economy and requires a constant shift in the vector of investors to better use of human knowledge and skills to improve technology, economic outcomes and life in general. does. The Address of the President of the Republic of Uzbekistan to the Oliy Majlis recognizes that our country has entered the stage of innovative development in order to achieve modern progress. "Innovation is the future. We need to start building our great future ... based on innovative ideas. It is no coincidence that we are moving towards innovative development and the digital economy. Because who will win in today's fast-paced world? A state based on new ideas, new ideas and innovations will win. " [1]

In recent years, in the development of economic policy of Uzbekistan, more and more attention is paid to the strategic direction of innovative development, according to which only effective and systematic use of scientific and technological potential of the country can ensure its sustainable economic development. Accelerating the innovative development of the economy is the most important priority of socio-economic development of the country in the long run.

One of the most important and serious problems in Uzbekistan is the implementation of the results of scientific and technical activities. The paradox is that a significant amount of unfulfilled scientific achievements and discoveries have accumulated, and as a result of the physical and spiritual obsolescence of technology in many sectors of the economy, there is ample room for the use of these achievements and discoveries. At present, Uzbekistan does not have a chain of fundamental science - applied research - the real sector. New technologies and discoveries are slowly being introduced into the manufacturing sector, which leads to a decrease in the competitiveness of Uzbek products in domestic and foreign markets. This could have serious consequences, such as the country becoming an outsider in science and technology.

The implementation of innovations, innovations, as well as scientific and technical achievements in the production of new or existing goods, technologies and services is important for the development of the country's economy and improving the living standards of the population; increase labor productivity, create new industries, services and jobs, improve the quality of services and increase the competitiveness of domestic goods in the world market. [2]

The level of innovation activity of organizations in Uzbekistan is not yet high (Table 1), so in modern conditions there is an objective need to transform the economy of Uzbekistan, its transition to an innovative scenario of development.

TABLE 1 INNOVATIVE ACTIVITY OF ENTERPRISES AND ORGANIZATIONS IN UZBEKISTAN, 2018-2019 [3]

Innovations	Number of enterprises and organizations that have introduced innovations, together *		Number of innovations introduced, unit	
	2018 year	2019 year	2018 year	2019 year
Total	1024	1587	2558	4567
Technological innovations	982	1514	2482	4427
Marketing innovations	17	28	42	128
Organizational innovations	25	45	34	13

* Organizations implementing several types of innovations are listed once in the "total" category

At present, a number of state initiatives aimed at the development of science and technology in Uzbekistan have been developed: “2017-2021 йилларда Ўзбекистон Республикасини ривожлантиришнинг бешта устувор йўналиши бўйича Ҳаракатлар стратегияси”(Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021), “2019-2021 йилларда Ўзбекистон Республикасини инновацион ривожлантириш стратегияси” (Strategy for Innovative Development of the Republic of Uzbekistan in 2019-2021), Innovative Development and The Fund for Support of Innovative Ideas was formed, the concept of complex socio-economic development of the Republic of Uzbekistan until 2030 was developed.

The main thing here is the demand for knowledge, the restoration of the country's innovative potential through the development of modern innovative projects, not only the creation of individual examples of technically complex developments, followed by the development and sale of innovative products for domestic and global markets.

At present, the main transformation processes are mainly associated with the development of technological innovations that act as a catalyst for the adaptation of economies to the conditions of formation of the latest technological order. The peculiarity of today's world economy is that it has a high level of competition in the field of technology and a wide range of opportunities for their rapid transfer. Under such conditions, the formation of national innovation systems as the main mechanism of development has become a key factor in the long-term growth of the world economy. Countries can no longer be passive in ensuring the required level of innovative development; otherwise an unhappy prospect awaits them: dependence on external financial and technological resources makes them the only suppliers of raw materials.

The importance of an innovative approach to economic development is emphasized by many economists.

The concept of "innovation" itself is associated with the name of the Austrian economist J. Schumpeter, who was one of the first to study the impact of scientific and technological progress on the level of economic development in the first half of the twentieth century.

Schumpeter said, "Production is a combination of things and forces that exist in our sphere. The manufacturer believes that it is something else, or in other words, to create other combinations of these things and forces"[5].

In Schumpeter's Theory of Economic Development, the content of innovations is revealed:

1. "Creating new, that is, goods that are not yet known to consumers, or developing a new quality of this or that blessing.
2. The application of a new method (method) of production that is not based on a new scientific discovery, as well as a new method of commercial use of the relevant commodity, which may not exist at all in this industry.
3. Development of a new market for sale, ie a market in which this industry has not yet been demonstrated. It does not matter whether this market has existed before or not.
4. Assimilation of a new source of raw materials or semi-finished products: regardless of whether this source previously existed or was not, or simply ignored or considered unattainable, or whether it should now be created.
5. Appropriate reorganization, for example, by securing a monopoly position (through the establishment of a trust) or by destroying the monopoly position of another enterprise."[5]

Russian economist Nikolai Kondratev developed the theory of long waves in the 20s and 30s of the twentieth century. According to him, the state of the economic system is subject to periodic fluctuations lasting at least 50 years. At the same time, scientific and technical innovations serve as a factor in the transition of the economic system from one period to another.

Most researchers prefer to divide innovations into technological, management, and product innovations.

It is pointless to argue which of a product or technological innovation is more important from an economic point of view, but it is safe to say that product innovation plays a key role in times of economic boom or strong demand for a new look for a product. Technological innovations play an important role in the relative saturation of the market, which uses new technological production processes to reduce the cost of production of existing products. [6]

Unlike an existing product or technological process, any major innovation that affects not only the micro but also the macro level has an important feature as a scientific and technical innovation. Different innovations have different levels of innovation, so it is so important to look for its reliable indicators from a scientific, technical and economic point of view. For example, a sharp increase in aircraft speed is possible, but this leads to serious economic losses in return for increased fuel consumption. The true novelty of a product or process must be related to the growth of the economic benefits derived from their use. [6]

Another important feature of innovation is that it represents not a rare one-time event, but a more or less continuous process, a continuous chain from the emergence of a technical idea or discovery to their application to a new technological process, or a qualitatively new product. Between these two perspectives are the interrelated stages of research, development, invention, design, demand analysis, production decision making, and more, culminating in the commercialization of a new product in the market or the economical use of a new technological process in production. [6]

The fact that innovation is a leading role that can be described as a process aimed at creating the best and / or previously non-existent goods (services) and technologies in terms of economic growth is beyond doubt today. As mentioned earlier, the innovation process itself must end with the sale of a product that the market demands.

It is known that large companies receive about half of their income from the sale of new types of products with a shelf life of no more than five years. Industrial companies want to increase spending on research, but are constantly faced with a number of challenges.

The paradox of innovative business is that it is much easier for small businesses to implement new technologies due to high mobility, sensitivity to technological innovations and willingness to take risks; they are not afraid that, unlike large companies, the introduction of a new product may affect the current situation in the market. Large companies often face problems in introducing new ideas and technologies, so in practice they use small innovative enterprises for this purpose.

Thus, effective innovative reproduction is formed on the basis of integration of small and large enterprises, where small enterprises operate in the field of innovation, and large enterprises in the field of investment.

The so-called "corporate venture" model of innovative business is widespread. Under it, enterprises solve their problems of innovative development independently, while the major parent company, which directs resources to the implementation of innovative projects, remains

the main investor. If the innovative project is not organized by the parent company, funding is usually provided through a venture fund that is corporately dependent (captive).

Another important factor supporting the establishment and development of small innovative businesses was a significant increase in scientific discoveries and inventions of various research centers. Many scientists and engineers in such institutions began to emerge as entrepreneurs by setting up small firms to implement their inventions, and this became widespread in foreign practice.

Financing of such small innovative enterprises is carried out mainly at the expense of venture investment technologies. Venture capital is an important source of extra-budgetary funding for research, development and innovation. The share of venture capital in the total investment resources of the world economy is not relatively high, but it is very important for the successful development of individual countries. This is confirmed by the fact that many large internationally renowned companies have succeeded precisely because of venture capital. As T. Perkins, the founder of the Venture Movement, put it, " ...the money we make is, in fact, a by-product, ... driven by the desire to create amazing technologies that are at the tip of the spear and have to change the world. "

The importance of venture capital for small high-tech firms is explained as follows. Young high-tech firms often fail to succeed in the competitive struggle that takes place through development based on self-financing. Bank loans also cannot be considered as a source of financing for small innovative enterprises due to the credit history of such companies and the lack of sufficient collateral. Moreover, the organizers of such enterprises sometimes do not have sufficient management skills. The function of venture capital is to solve such problems in the development of small innovative enterprises.

The venture investor's funds are used by the company as a unique financial lever that helps small innovative businesses grow and develop rapidly. The company's organizers and venture investors strive not only to achieve high returns, but also to become leaders in these markets by influencing the development of the innovative sector of the economy, creating new directions of scientific and technological processes, creating new markets and achieving innovative monopolies. The growth potential of the company's value depends on the level of innovation, ie the novelty of the project.

Venture capital allows you to commercialize advanced ideas, create new innovative companies and an entire industry, and support existing ones. It plays a huge motivating role by encouraging enterprises to redirect the type of development and stimulate the growth of their scientific, technical and innovative activities. Emerging innovation firms often act as generators in the creation of new technology manufacturers, new types of products and innovative development sources for large enterprises, reorienting their investment and innovation policies, creating the conditions for achieving high competitiveness as quickly as possible.

A number of studies reveal the essence of individual methods using venture capital innovations and new high technologies to encourage the establishment of companies. S. Kortum and D. Lerner analyzed the activities of 20 industries in the United States in 1960-1990 and found that the participation of venture capital leads to an increase in patent activity by 5-18%. Using data

on 173 newly formed companies in Silicon Valley, T. Hellmann and M. Puri showed a significant reduction in product launch times for companies using venture financing. [7]

M.Aoki noted another important factor in the participation of venture capital in the popularization of technological innovations. Young high-tech companies in Silicon Valley specialize in developing innovative products that provide the conditions for the emergence of a new chain of value creation. In the context of high levels of uncertainty and competition inherent in modern technology and market development, innovative firms will need to continuously create and distribute data among contractors that constantly affect all emerging value chains. However, companies need to combine and protect specific data that is critical to their products at the same time, because that alone guarantees them a competitive advantage. This bias leads to an increase in the exchange and distribution of technological knowledge between firms gathered in the Silicon Valley. Venture capitalists play a key mediating role in these processes. [7]

A similar conclusion was reached by P. Robertson and R. Langlui. They argue that financial innovators help accelerate the development of individual companies and disseminate the innovations they implement by building and maintaining broad connections within areas where innovation activity has increased. In addition, the development period of groups of innovative firms from the "established" state to the transformation of large technology clusters before the emergence of venture capital is more than 20 years. [7]

The advantages of using venture financing mechanisms include:

- intensification of the establishment and development of high-prospects innovative enterprises;
- support for high-tech sectors of the economy, especially dynamically developing ones;
- application of innovations in the economy and increase the speed of their spread;
- increase the level of commercialization of scientific developments;
- development of the social sphere (education, health, culture, etc.);
- improving the quality of life;
- Creating new competitive jobs through the development of innovative companies.

Thus, the innovative development of venture capital is manifested as a factor in the structural transformation of the economy. It helps to create a unique investment mechanism of innovative activity that increases the efficiency of the economy as a whole by ensuring the interaction of all links of the "science-production-market" chain. Venture capital is the driving force behind the innovative renewal of the economy, the factor that accelerates its growth.

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