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COMMUNICATIVE CONTEXT OF VENTURE FINANCING

КОММУНИКАТИВНЫЙ КОНТЕКСТ ВЕНЧУРНОГО ФИНАНСИРОВАНИЯ

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ABSTRACT

VENTURE BUSINESS; VENTURE
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The article reveals the economic essence of venture financing – long-term high-risk investments of private capital in newly created small high-tech companies. The relevance of the development of venture financing in Belarus is explained by its potential significance for the innovative development of the country.

In a country focused on innovative development, it is necessary to rapidly create and develop venture financing. For this, the most preferable from the point of view of efficiency – in terms of return on investment and timing – is the implementation of the classic scheme of the state fund of venture capital funds based on the Israeli model Yozma. In addition to the Israeli experience, the mechanisms of venture financing of Russia, Kazakhstan, China are being studied [1]. When forming a system of venture financing, it is planned to actively attract private capital, including foreign investors, who need to obtain accreditation from the State Committee for

АННОТАЦИЯ

ВЕНЧУРНЫЙ БИЗНЕС; ВЕНЧУРНОЕ
ФИНАНСИРОВАНИЕ; СТАРТАП-ДВИЖЕ-
НИЕ; БИЗНЕС-ПРОЕКТ; БИЗНЕС-АНГЕЛ

В статье раскрывается экономическая сущность венчурного финансирования – долгосрочных высокорисковых инвестиций частного капитала во вновь создаваемые малые высокотехнологичные компании. Актуальность развития венчурного финансирования в Беларуси объясняется его потенциальным значением для инновационного развития страны.

Science and Technology to work in the Belarusian market.

The principle of operation of venture capital financing in Belarus is based on Western standards: high profitability – 15–30 % per annum; long-term nature of investments; the possibility of diversifying activities; investing in research and development; potentially new jobs. The advantages of venture funding include the possibility of obtaining long-term money on favorable terms and the investor's personal interest in the successful completion of the project. Among the disadvantages are the difficulty in finding a personal venture investor, the need for full disclosure of information on the startup, the risk of the investor leaving the project at any time, the possibility of the investor's interference in the company's management process.

As a rule, the largest investors in a Venture Fund (an investment fund focused on working with innovative enterprises and projects (startups)) are pension funds (their share is about 25 %), banks (10 %), insurance organizations (10 %), corporate investors (3 %), government (5 %), private investors (3 %), endowment funds or non-profit funds (3 %), investment intermediaries (15 %). According to experts, on average, to find an investor for one venture capital project, it is necessary to be evaluated by at least 50 investors, 5–7 of whom will be interested in the project and only 1–2 will invest in it. In order to implement at least 20 projects a year, at least 1000 business investors are needed [2].

In Belarus, there are a number of problems in the development of venture business: a rather heavy tax burden for newly created enterprises, restrictions on investing in risky projects, an unsettled judicial system, the problem with the protection of intellectual property rights, as well as underdeveloped infrastructure (business incubators, innovation centers, pension and insurance funds). There are very few technological developments at this stage. Of all projects, only 5–7 % are science-intensive and breakthrough technologies. Most of all startups target the Belarusian market. At the same time, its capacity is relatively small.

The Belbiz group of companies, with the support of the US Agency for International Development within the framework of the AID Venture project, assessed the interest of businesses in venture financing in our country. According to a study in which 300 startups, investors and entrepreneurship support entities were interviewed, Belarusian business is interested in investing capital in new projects. More than 40 % of the investors surveyed plan to invest about USD 500,000 in technology startups in the coming years. Thus, at the current level of activity, Belarusian investments in them may exceed USD 100 million per year. Over the past 3 years, about half of the investors surveyed have carried out 5 transactions with technology startups, and 84 % of projects have attracted investments of up

to USD 500 thousand. At the same time, 77 % of startups received money at the stage of creating a prototype of products and entering the market. Business angels helped 60 % of early-stage startups [3].

The introduction into domestic legislation of instruments for structuring venture deals, collective investment institutions, widely used in world practice, decriminalization of business responsibility and the introduction of tax incentives will become powerful incentives for the development of venture entrepreneurship in the country.

Among the problems of the development of venture business in Belarus, one should first of all highlight the small number of initiative people, startups who are ready to risk their careers for their own business. Another limiting factor is the fact that we have many inventions, while there are not many managers with the business skills to commercialize these developments. Thus, most workers in domestic scientific institutions are characterized by a complete indifference to the possibilities of financing their developments and the absence of real initiative for their implementation.

In this regard, we can say that the lack of investment resources for financing projects is not the only problem in the development of venture financing in Belarus. Besides, investments in Belarus are often very "expensive and short". Our country has avoided the sale of the most appealing assets at bargain prices, unlike, for example, it happened in Russia. Therefore, the money was earned by Belarusian businessmen with great difficulty, and they are in no hurry to part with it. Investors want to get the maximum return from each project. Thus, as a rule, they want to get significant shares in the project ones for relatively small investments. This is largely why there are not many venture projects, after all, only very courageous investors can venture to risk money in such projects. The specific Belarusian problem is that the planning horizon of the Belarusian business is maximum 3 years. Taking into account the instability of the macroeconomic situation, it is extremely difficult to count on a longer term, therefore projects with a payback period of more than 3 years almost immediately lose interest from potential investors.

According to research, most investors expect a return on equity of 30–40 %. The most attractive sectors for them are: artificial intelligence (44 %), fintech (38 %), health (37 %), e-commerce (15 %), manufacturing (15 %). Investment decisions are also influenced by return on investment (64 %), the team (64 %), technological innovation (54 %), scalable business model (50 %). So far, 67 % of startups consider access to venture investments in Belarus to be poor. 85 % of companies using incentives are ready to transfer their business to other countries if the incentives are canceled.

Investors are constrained by their assessment of the external environment. Only 15 % of the participants in the venture capital ecosystem believe that favorable conditions have been created in our country for doing and developing business, and 51 % assess them negatively. Reforming the investment climate was approved by 13 % of respondents, 24 % admit the changes but do not believe that they allow them to develop actively. 38 % do not see any reforms, and 19 % have a negative attitude towards them.

The level of investor protection is rated very modestly. Thus, 40 % of the survey participants consider it insufficient, 21.8 % – sufficient only in some areas, 19.5 % have enough guarantees, but they are not satisfied with the law enforcement practice. At the same time, a guarantee for a foreign investor is the presence in the legislation of understandable institutions of civil, commercial, and corporate law that ensure the return on investment.

Therefore, it is not surprising that venture investors choose other countries: for the sake of more progressive corporate legislation and effective exit mechanisms from venture projects (79 %), a more predictable and trustworthy judicial system (57 %), and a more convenient taxation system (46 %). Thus, 41 % of respondents consider the USA and Cyprus attractive for their business, 35 % would choose Israel, 28 % – Estonia, 16 % – Great Britain. According to the authors of the study, it is possible to turn capital flows towards Belarus if the instruments for structuring venture transactions, collective investment institutions, widely used in the world practice, are introduced into domestic legislation, decriminalization of business liability and the introduction of tax incentives.

Favorable changes have taken place since the survey. Decree No. 7 "On the development of entrepreneurship" and a package of documents on the liberalization of the conditions for doing business in Belarus were signed, as well as Decree No. 8 "On the development of the digital economy", which, as a legal experiment, introduces tools of English law for HTP resident companies [3].

Currently, work is underway to amend other laws. Three working groups function in parallel:

1. Under the Ministry of Economy, they are working on amending the law on business entities.
2. At the National Center for Legislation and Legal Research they are working on amending and supplementing the Civil Code.
3. Under the State Committee for Science and Technology, they develop a regulatory legal act on the development in Belarus of mechanisms aimed at forming a system of venture activities.

According to experts, in the next 2–3 years, venture activities in Belarus will

acquire the shape of an industry. The number of investors in venture projects will continue to grow. Business incubators will be more and more useful for the development of venture capital companies. Also, in the coming years, 1–2 venture funds are likely to appear in Belarus, and the interest of both Russian and Western venture funds in Belarusian projects will increase.

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