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VENTURE CAPITAL MARKET – MODERN CAPITAL ALTERNATIVE MARKET ELEMENT

Abstract

In the modern world, in an open and global information space, where there is a constant and diverse exchange of thoughts and ideas, where there are no restrictions and critical content is quite widespread, one of the most important factors inhibiting innovation is Therefore, the economic growth of the country is a financial factor – the lack and the availability of funds necessary to finance innovative projects.

The article proposes one of the elements of the modern alternative capital market – the venture capital market, which is a combination of financial resources and economic capabilities of a specialized investor, aimed at developing a company that does not have its own funds. and business management experience.

Key words: capital, alternative, innovative, company.

One of the most important factors for modern Georgia, which constrains innovation activity, and therefore the economic growth of the country, is the financial factor – the lack and availability of funds necessary to finance innovative projects. The main sources of financing innovation are: own and borrowed financial resources, other types of assets; allocations from central, regional and local budgets; Loans are issued on a repayable basis, including from state and commercial banks and foreign investors.

Businesses rely heavily on their own funds, not because they are sufficient, but because other sources are limited or unavailable. Thus, the credit system is rarely used to finance innovation. [1]

In view of the relevance of the topic, we consider it very appropriate to present the formula “generalized assessment of the ability of an innovative company to neutralize the financial crisis in the short term,” which is calculated as follows: [2]

An innovative view of the company period
Net cash flow of a short-term financial crisis

$$\text{Neutralization coefficient (K)} = \frac{\text{Net cash flow expected outcome}}{\text{Financial obligations average total}}$$

Table N1

The degree of crisis financial situation of the innovative company and
Possible directions for exiting it

Scales of the crisis situation of the enterprise	Response rules
A mild financial crisis	Normalization of current financial activities
A deep financial crisis	Full use of internal mechanisms of financial stability
A catastrophic financial crisis	Search for effective forms of rehabilitation (in case of failure, liquidation)

The development of an alternative capital market based on innovative investment funds will make it possible to harmonize the interests of investors and developers of advanced technologies, who today lack the funds to implement them.

The role of one of the elements of the modern alternative capital market is played by the venture capital market, which is a set of financial resources and economic opportunities of a specialized investor aimed at developing a promising high-tech company at the creation stage. , formation or liquidity that does not have its own cash flow and business experience.

The starting point of the concept of venture capital is young, innovative, “future” projects that can not only become profitable businesses, but also develop and turn upside down the area in which they do business.

The initial content of the concept of “venture capital” was closely related to the meaning of the word “venture”, which, on the one hand, means entrepreneurship, and on the other, risk. The American interpretation of the concept of “venture capital” can be called narrow. Thus, venture capital in the United States refers only to that which operates in the early stages of creating a high-tech company. The US National Venture Capital Association (NVCA) defines venture capital as: “Capital provided by venture capital professionals who provide management support to young, rapidly growing companies that have competitive and significant potential.”

The specific characteristics of venture capital include the following: high returns in high-risk environments; Creating an innovative effect when investing; Specific subjects and objects of investment. Thus, venture capital is an investment resource for ensuring innovative activities.

The investment activity of venture capitalists largely depends on the stage of development of a small high-tech company, as well as on the conditions for making venture investments in a particular state.

The development of venture capital is directly proportional to the development in the country of the following areas:

- Attracting foreign investment;
- Increasing international competitiveness;
- Development of high-tech projects and opening of production facilities;
- Increase in local and international revenues of companies/enterprises;
- Creating jobs and ensuring economic growth;
- Increased demand for personnel;
- Promoting progress;
- Increase in productivity;
- Increase in salary indicators.

The biggest benefit of venture capital funding for entrepreneurs is that along with financial support, they also receive organizational, management and other support. According to 80% of venture managers, their business could not exist, or at least could not develop as effectively, without the help of venture investors. [3]

According to the European Venture Capital Association, a typical portrait of an investee company should look like this: a technology company, the life of which is less than 5 years, the number of employees varies from 100 to 500 people and expects to “exit” the investment in 3-4 years. An entrepreneur’s choice of one type of financing or another depends on several factors, such as: the availability of a source of financing, fees (interest) for financing, the professionalism and ambition of the entrepreneur, the composition of financing (only financial resources or related services), etc.

Venture financing has a great advantage over other sources of financing at the initial stages of a company’s development, since, along with monetary, organizational, managerial and other types of support, the entrepreneur can offer the investor personal connections, information about markets and similar goods. As a company grows, the role of human capital offered by a venture capitalist decreases and it becomes strategic funding instead of venture capital funding.[4]

Thus, the main global trend in the formation of modern society is the transition from a raw materials and industrial economy to an innovative one, based on intellectual resources, scientific and information technologies. We can present venture financing as one of the tools that will ensure sustainable rates of economic growth for the country and reduce the difference between the levels of economic development compared to other leading countries in the world.

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