

UDC 330.322.12(477)

*Sergey Zelensky, Dariya Kovinko, Daria Pedorenko***VENTURE FINANCING IN UKRAINE***Сергій Зеленський, Дарія Ковінько, Дар'я Педоренко***ВЕНЧУРНЕ ФІНАНСУВАННЯ В УКРАЇНІ***Сергей Зеленский, Дария Ковинько, Дарья Педоренко***ВЕНЧУРНОЕ ФИНАНСИРОВАНИЕ В УКРАИНЕ**

*This paper serves to describe key theoretical bases of venture financing. The venture investments market of Ukraine has been analysed, main problems and negative factors, restraining development of venture finance investments, were investigated, and solutions for their handling have been proposed. The study of the domestic market of venture investments outlined its tendencies for the recent years. Venture financing characteristic features and weaknesses have been determined. The structure of the assets of venture funds have also been investigated and noted that most of them do not focus on high-tech development.*

**Key words:** *innovation; venture; venture capital; venture financing; joint investment institutions; asset management companies.*

*Fig.: 1. Tabl.: 3. Bibl.: 7.*

*Розглянуто ключові теоретичні основи венчурного фінансування. Проаналізовано ринок венчурного інвестування в Україні, досліджено основні проблеми і негативні чинники, які стримують розвиток венчурного фінансування та запропоновані шляхи їх вирішення. У процесі дослідження вітчизняного ринку венчурного інвестування були окреслені його тенденції за останні роки. Визначено характерні особливості та недоліки венчурного фінансування. Досліджено структуру активів венчурних фондів та відзначено, що більша їх частина спрямована не на високотехнологічні розробки.*

**Ключові слова:** *інновації; венчур; венчурний фонд; венчурне фінансування; інститути спільного інвестування; компанії з управління активами.*

*Рис.: 1. Табл.: 3. Бібл.: 7.*

*Рассмотрены ключевые теоретические основы венчурного финансирования. Проанализирован рынок венчурного инвестирования в Украине, исследованы основные проблемы и негативные факторы, которые сдерживают развитие венчурного финансирования и предложены пути их решения. В процессе исследования отечественного рынка венчурного инвестирования были очерчены его тенденции за последние годы. Определены характерные особенности и недостатки венчурного финансирования. Исследована структура активов венчурных фондов и отмечено, что большая их часть направлена не на высокотехнологичные разработки.*

**Ключевые слова:** *инновации, венчур; венчурный фонд; венчурное финансирование; институты совместного инвестирования; компании по управлению активами.*

*Рис.: 1. Табл.: 3. Библ.: 7.*

**JEL Classification:** G24

**Articulation of the problem.** Innovation activity is thought to be a key component of economic growth and science and technological development in the country. Most developed countries have a strategy of long-term economic growth that is built on the move towards the innovation-based development. Venture investment is one of the most important sources for innovative processes. Venture activity is a significant form of financing the innovation sector targeted at stimulation of innovative progresses both at the individual enterprise and on the innovation market, in general. It helps to reach a higher level of goods and services competitiveness, improve occupational attainment of the personnel and increase technical level.

**Analysis of recent researches and publications.** The problem of innovational activity venture financing is nothing new for our scientists. L. Antoniuk, Yu. Bazhal, Z. Varnalii, S. Hlaziev, V. Heets, I. Hroznii, V. Lokshyn, P. Zavlyn, A. Peresada, A. Porychnyk, P. Fedorovych and others were involved in studying its various aspects. However, the issue of venture investment requires further researches.

**Outlining of the parts of the general problem that remained unresolved.** Developed countries use venture industry in order to ensure faster usage of advanced technologies and improvement of the goods and services competitiveness. Domestic enterprises are now unable to modernize and reconstruct industrial processes, as well as develop and introduce innovative products at own expense. The need of financial resources in times of crisis is extremely noticeable in Ukrainian economics. That's why the venture capital should be used as a target investment in the innovative solutions, becoming a driving force for the introduction of the innovative technologies at the domestic enterprises.

## ФІНАНСОВІ РЕСУРСИ: ПРОБЛЕМИ ФОРМУВАННЯ ТА ВИКОРИСТАННЯ

This article is **aimed** at evaluation of innovative activity venture financing condition in Ukraine and prospects for further development.

**Discussion of the basic material.** The concept “venture” in English means “risk”, “risky start”, “risky enterprise” etc. Some venture financing schemes were used back in the first half of the 20th century, although an onrush of venture capital took place only after World War II in the United States of America. Tom Perkins, Eugene Kleiner, Frank Cofield and other citizens of the USA back in the 50-60s of the 20th century were the founding fathers of this kind of business, creating new fundamental concepts for financing organization: creation of venture funds partnerships; fund raising from the limited liability partnerships and setting up the rules for interest defense; usage of the status of a prime sponsor [1].

The meaning of venture business is as follows:

- results in creation of new capable enterprise units;
- supports technical re-equipment of traditional economic sectors;
- is a generator of the brand new ideas, that will become fundament for scientific and technological breakthrough;
- requires creation of a special credit and financial system, basically the venture capital [3].

Currently venture business is both the most efficient and the most risky part of innovative financing. According to the Law of Ukraine “On institutions of mutual investment (share and corporate investment funds)”, venture fund is a non-diversified mutual investment institution of closed type working only with the private placement of own production securities whose assets amount to more than 50 percent of corporate rights and securities, that are forbidden for trades at stock exchange or trade and informational system [4].

Generally speaking venture financing is long-term financial investments with a high risk in shares of newly created, small innovative firms that are focused on the development and production of high-tech products, in order to develop and expand them thus receiving income from the growth of invested money [2].

Ukraine’s ventures are created like institutions of mutual investment and their development have a back story.

Depending on their occurrence, Ukraine’s venture funds development can be divided into 2 phases. The first phase covers 1992-2001 and may be characterized by creation and functioning of 7 venture funds owing to foreign investments. Throughout the period, common investments of these funds were calculated to be 127, 5 million USD. However, the targets of investments were different from those being regular for venture funds towards less risky traditional brunches. The second phase started in 2001, after the Law of Ukraine "On institutions of mutual investment (share and corporate investment funds)" was adopted and still remains effective. Creation of some part of venture funds by the citizens of Ukraine is to be its main feature [7].

Activity of professional participants of CIS is continued to be shutting down in Ukraine. Thus, in 2015 the amount of venture funds was 992 that’s 4 % less than in 2013 (Table 1) [6].

Table 1

*Venture capital funds in Ukraine*

Year	The number of AMC	The number of CIS	Venture capital funds	Net asset value venture capital funds, million UAH
2010	339	1095	827	86 439
2011	341	1125	867	103 656
2012	353	1222	973	129 498
2013	347	1250	1031	149 880
2014	336	1188	1006	170 038
2015	313	1147	992	189 908

Source: compiled by the authors according to official data of the Ukrainian Association of investment business [6].

## ФІНАНСОВІ РЕСУРСИ: ПРОБЛЕМИ ФОРМУВАННЯ ТА ВИКОРИСТАННЯ

The value of venture funds net assets in the period of 2010–2015 is constantly increasing and it is calculated to be 189 908 millions UAH in 2015, that's 103 469 millions UAH more (or by 119 %) than in 2010. Portfolio structure of the CIS venture assets shows that main share, that constantly grows during 2010–2015, is occupied by other assets. The part of debt securities, particularly exchange bills and bonds of the enterprises, during the period being studied, decreases and shows only 5,8 % and 3,8 % in 2015, correspondingly (Table 2).

Table 2

*The structure of assets in the portfolio of venture CIS in 2010-2015*

Assets, %	Year					
	2010	2011	2012	2013	2014	2015
Other assets	59,6	62,6	64,1	66,8	69,1	75,6
Real estate	2,2	2,6	2,5	2,5	1,9	2,1
Cash and bank deposits	2,8	3,6	2,2	2,3	1,8	2,2
Bills	15,9	13,1	12,6	10,6	8,0	5,8
Stock	10,3	10,1	11,5	11,5	15,2	10,5
Corporate bonds	9,2	8,0	7,1	6,3	4,0	3,8

Source: compiled by the authors according to official data of the Ukrainian Association of investment business [6].

Today venture funds in Ukraine have found their place on the market ensuring good profits, as confirmed by the analytic data of Ukrainian association of investment business on their profit-making capacity for 2015. Table 3 has 10 most profitable venture funds in Ukraine.

Ukrainian venture capital is more likely to release middle risk investment projects. The most attractive spheres for investments still are building, real estate, agriproduct processing, food industry, retail business, while Western Europe and USA invest in innovations. According to the data of Ukrainian association of investment business, venture funds that invest in real estate are 60 % of mutual investment institutions total amount, while the share of invested money in innovative technologies is 1 % [5].

Table 3

*The yields of some Ukrainian venture funds in 2015*

№	The name CIS	The name of AMC	The yield for the current year, %	The yield for the previous year, %	The average annual yield since inception of the fund, %
1	PJSC "Closed Investment Fund "STANDARD'OLÉRON"	LLC "AMC "BUTCEPT"	545,81	0,00	-1,08
2	SUNPP "Fund Delta Venture projects"	LLC "AMC "SKY CAPITAL MANAGEMENT"	469,03	7,89	-2,68
3	Venture "INDEX CAPITAL"	LLC "AMC "INTER Capital GROUP"	456,73	-0,93	-2,13
4	PNWRS "Central Park"	LLC "AMC "Alprim"	391,99	34,00	25,71
5	Mutual venture investment fund "Omega"	PrJSC "AMC "NATIONAL RESERVE"	374,79	-47,56	11,26
6	PSENVIP "BNK"	LLC "AMC "CITYMANAGEMENT"	368,81	-70,17	-27,04
7	PSENVIP "Investment standard"	LLC "AMC "West invest"	336,79	-4,02	0,36
8	VPIF NC "Treasury-invest"	PrJSC "PRINCOM"	320,69	-0,30	2,57
9	PWSF "Ficus"	LLC "AMC "EMERG"	313,62	0,00	-0,55
10	PJSC "CNVCIF "Glass-Invest"	LLC "AMC "OLIMP ESSET INVESTMENT"	307,04	833,03	79,02

Source: modified by the authors [6].

## ФІНАНСОВІ РЕСУРСИ: ПРОБЛЕМИ ФОРМУВАННЯ ТА ВИКОРИСТАННЯ

Some Ukrainian venture funds own significant financial resources, that is proved by the value of net assets of top 10 venture funds at the end of 2015 (Figure 1). The highest value of the net assets is owned by the VCNCIF "Unibudinvest" (7.59 billion UAH), the second place goes to the Investment Fund "Development Agro" (6.95 billion UAH), and PVIF "Integral-BudInvest" takes the third place (4.5 billion UAH).

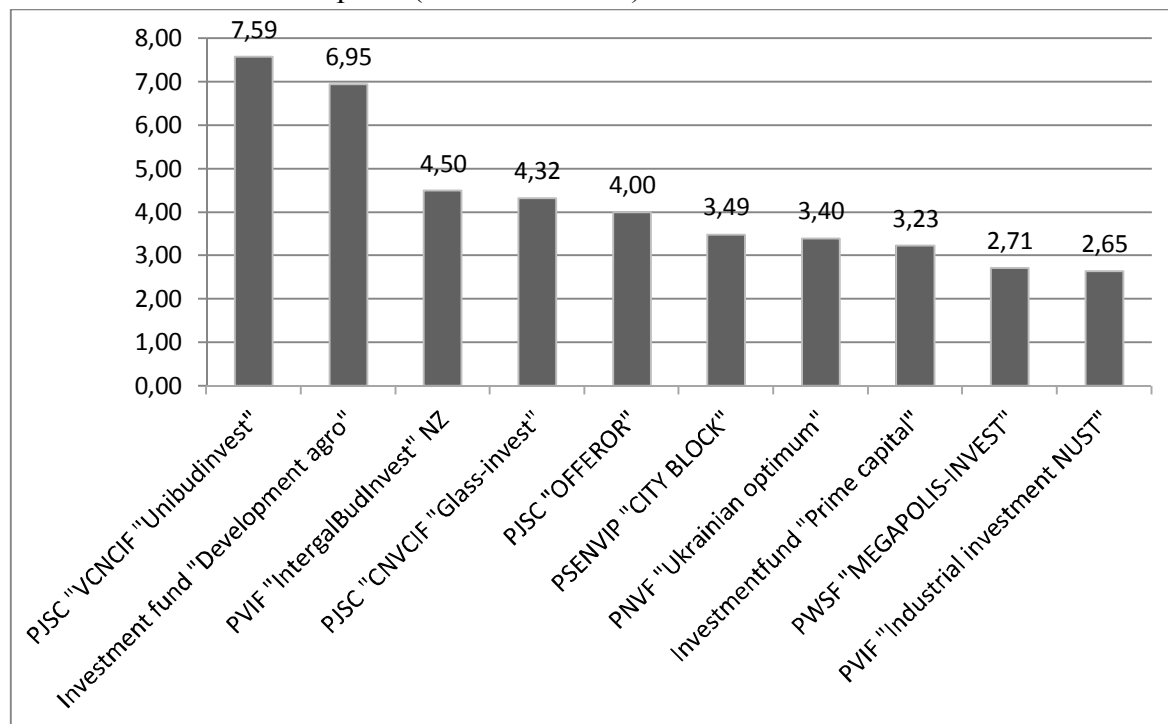


Fig. The net asset value of the most powerful Ukrainian venture capital funds in 2015, UAH billion  
Source: [6].

One of the main problems of Ukrainian venture funds activity is that financing doesn't go to the innovative development of the economy of the country. The difference in main indexes of venture funds development confirms the low level of theoretical development of the issue and the lack of required attention from the state.

The development of venture funds is limited by the following negative factors:

- weak legislative framework. The concept of “venture business” can be noticed through some legislation acts of Ukraine during many years, but there's still no given explanation of aim, functions and principles of venture funds and firms;
- lack of venture financing sources and restrictions on money attraction from different participants (individuals, for example);
- science knowledge generating sector worsening;
- lack of quality projects having powerful marketing strategy and significant potential capacity of the market;
- lack of the skilled professionals in venture management sphere, being aware of the technologies of detection and selection of promising innovative projects, as well as estimation of their future efficiency with a high enough level of probability;
- developed shadow economy [5].

The main obstacles of venture financing development are weakness of venture infrastructure, low liquidity of venture innovation investments due to underdevelopment of the fund market, insufficient information support and lack of transparency in business.

**Conclusions and suggestions.** In order to solve the problems mentioned, it is necessary for Ukraine to provide attractive terms for the development of a high-risk investment, develop a special system of motivation from the state for the creation of venture funds and companies. Constant monitoring of innovation sphere conditions, improvement of the defense of intellectual property rights, as well as ensuring the necessary informational support of venture investors with a high level of legitimacy and transparency of information are required. Propaganda of the appropriate venture business culture is an important issue, that's why highly qualified specialists should be trained and positive image of venture financing should be created.

### References

1. *Venchurne finansuvannia innovatsiinoi diialnosti (teoretychnyi aspekt) [Venture financing innovation (theoretical aspect)]*. Retrieved from [http://www.investplan.com.ua/pdf/8\\_2013/5.pdf](http://www.investplan.com.ua/pdf/8_2013/5.pdf).
2. Kovalyshyn, P.V. (2009). *Formuvannia ta rozvytok rynku venchurnoho investuvannia Ukrainy [Formation and development of venture capital Ukraine]*. Mykolaiv: MDAU (in Ukrainian).
3. Medynskii, V.G., Sharshukova, L.G. (1997). *Innovatsionnoe predprinimatelstvo [Innovative entrepreneurship]*. Moscow: INFRA-M (in Russian).
4. *Pro instytuty spilnoho investuvannia (korporatyvni ta paiovi investytsiini fondy): Zakon Ukrainy vid 15.03.2001 r. № 2299-III [On joint investment institutions (corporate and unit trusts): Law of Ukraine of 15.03.2001 p. № 2299-III]*. Retrieved from <http://zakon4.rada.gov.ua/laws/show/2299-14>.
5. Savchenko, V.F., Shatyрко, D.V. (2013). Problemy venchurnoho investuvannia v Ukraini [Problems venture investment in Ukraine]. *Naukovyi visnyk ChDIEU – Scientific journal of ChSIEM*, no. 2 (18), pp. 7–13 (in Ukrainian).
6. *Ukrainska asotsiatsiia investytsiinoho biznesu [Ukrainian Association of Investment Business]*. Retrieved from <http://www.uaib.com.ua>.
7. Ulianytska, O.V. (2009). Osoblyvosti finansuvannia pidpriemnytstva biznes-yanholamy [Features finance business business angels]. *Aktualni problemy ekonomiky – Actual Problems of Economics*, no. 7 (97), pp. 155–160 (in Ukrainian).

### References (in language original)

1. *Венчурне фінансування інноваційної діяльності (теоретичний аспект) [Електронний ресурс]*. – Режим доступу : [http://www.investplan.com.ua/pdf/8\\_2013/5.pdf](http://www.investplan.com.ua/pdf/8_2013/5.pdf).
2. *Ковалишин П. В. Формування та розвиток ринку венчурного інвестування України : монографія / П. В. Ковалишин. – Миколаїв : МДАУ, 2009. – 302 с.*
3. *Медынский В. Г. Инновационное предпринимательство : учебное пособие / В. Г. Медынский, Л. Г. Шаршукова. – М. : ИНФРА-М, 1997. – 240 с.*
4. *Про інститути спільного інвестування (корпоративні та пайові інвестиційні фонди) [Електронний ресурс] : Закон України від 15.03.2001 р. № 2299-III. – Режим доступу : <http://zakon4.rada.gov.ua/laws/show/2299-14>.*
5. *Савченко В. Ф. Проблеми венчурного інвестування в Україні / В. Ф. Савченко, Д. В. Шатирко // Науковий вісник ЧДІЕУ. – 2013. – № 2 (18). – С. 7–13.*
6. *Українська асоціація інвестиційного бізнесу [Електронний ресурс]*. – Режим доступу : <http://www.uaib.com.ua>.
7. *Ульяницька О. В. Особливості фінансування підприємництва бізнес-янглами / О. В. Ульяницька // Актуальні проблеми економіки. – 2009. – № 7 (97). – С. 155–160.*

---

**ФІНАНСОВІ РЕСУРСИ: ПРОБЛЕМИ ФОРМУВАННЯ ТА ВИКОРИСТАННЯ**

---

**Zelensky Sergey** – PhD in Economics, Associate Professor of the Department of Finance, Banking and Insurance, Chernihiv National University of Technology (95 Shevchenka Str., 14027 Chernihiv, Ukraine).

**Зеленський Сергій Миколайович** – кандидат економічних наук, доцент кафедри фінансів, банківської справи та страхування, Чернігівський національний технологічний університет (вул. Шевченка, 95, м. Чернігів, 14027, Україна).

**Зеленский Сергей Николаевич** – кандидат экономических наук, доцент кафедры финансов, банковского дела и страхования, Черниговский национальный технологический университет (ул. Шевченко, 95, г. Чернигов, 14027, Украина).

**Kovinko Dariya** – student, Chernihiv National University of Technology (95 Shevchenka Str., 14027 Chernihiv, Ukraine).

**Ковінько Дарія Миколаївна** – студентка, Чернігівський національний технологічний університет (вул. Шевченка, 95, м. Чернігів, 14027, Україна).

**Ковинько Дария Николаевна** – студентка, Черниговский национальный технологический университет (ул. Шевченко, 95, г. Чернигов, 14027, Украина).

**E-mail:** [dasha210194@ukr.net](mailto:dasha210194@ukr.net)

**Pedorenko Daria** – student, Chernihiv National University of Technology (95 Shevchenka Str., 14027 Chernihiv, Ukraine).

**Педоренко Дар'я Олександрівна** – студентка, Чернігівський національний технологічний університет (вул. Шевченка, 95, м. Чернігів, 14027, Україна).

**Педоренко Дарья Александровна** – студентка, Черниговский национальный технологический университет (ул. Шевченко, 95, г. Чернигов, 14027, Украина).