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### **Joint venture investment institutions: the modern situation**

The world practice shows that an implementation of an innovative model of the development of an economy on a basis of the own scientific potential is a basic conception for the achievement of the world level of competitiveness for the countries that have a transitive economy. As a rule, on the governmental level or on the level of the particular national corporations, limited financial resources inhibit the creation of a capable national innovative system that promotes the development of innovative technological companies.

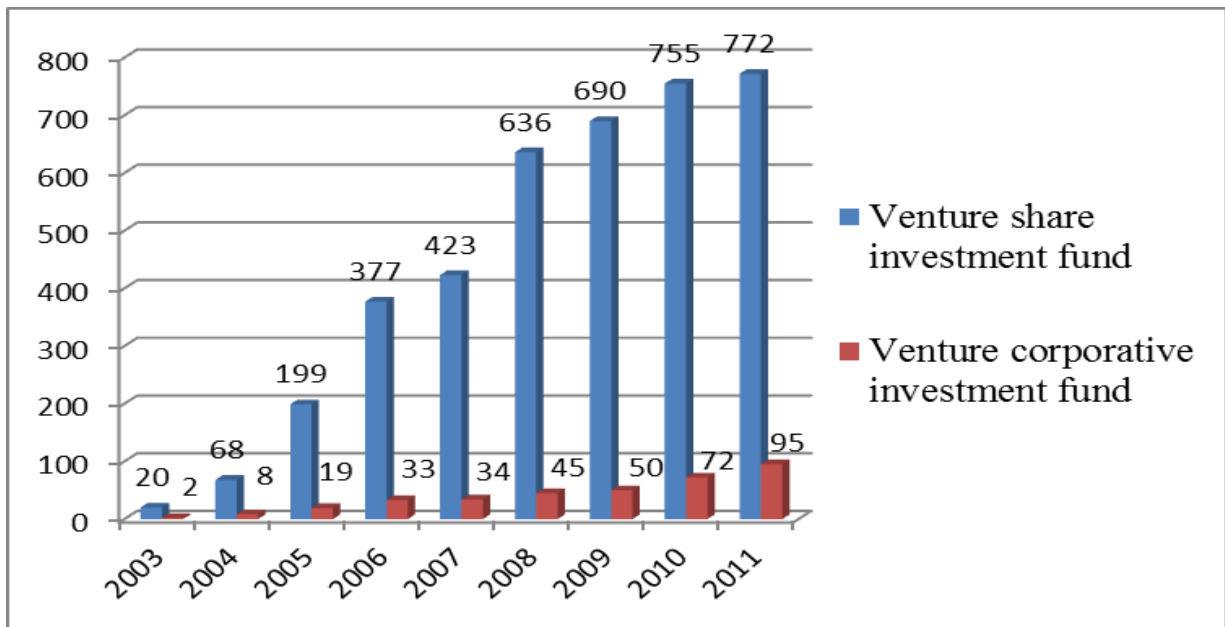
An industry of the venture investment occupies an important position in the complex of measures that are related to the transition of a state on the model of an innovative development. This industry helps to stimulate an economy through the way of an active investment and supports a business with a high growth potential. The possibility to obtain the investment in the periods of time, when other financial institutions refuse from the risky investments, is the main advantage of the venture capital investments in the sphere of a small and a medium innovative business.

The problem is that there isn't a system of joint venture investment institutions in the Ukraine that could promote the innovative model of the economic development of the country that has already been proclaimed.

The analysis of trends and of the character of the activity of joint venture investment institutions were elucidated in the works of the leading scientists of our time: Antoniuk L., Amosha A.I., Kublikova T., Kublikov V., Lapko A.A., Mostovenko N.A., Poruchnik A., Solovej N.V., Taranenko I.V. and others. The attention of the researchers focuses on the problems of the undeveloped venture capital market of the Ukraine and on the search of their solutions.

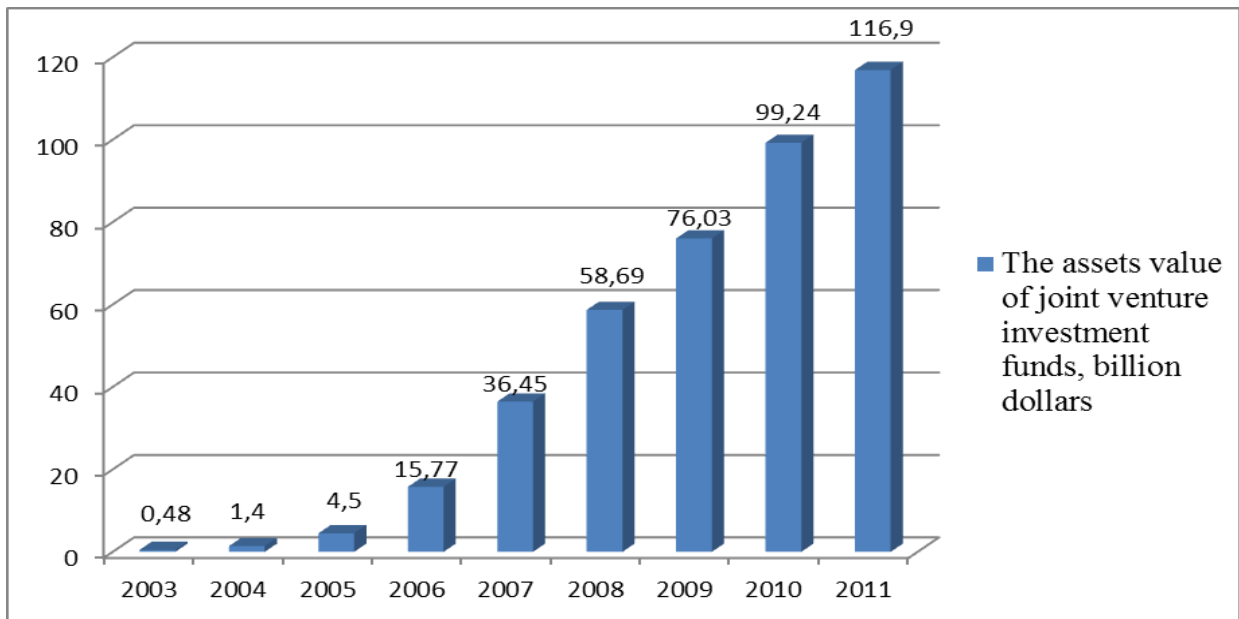
The purpose of the article is the analysis of the contemporary state and an identification of prospects of the development of joint venture investment institutions in the conditions of the transition of the state to the model of innovative development.

A rapid development of the domestic joint venture investment institutions started after the enactment of a law of the Ukraine "About the joint investment institutions (share investment fund and corporative investment fund)". [1]



Picture 1. The dynamics of the creation of venture funds in the Ukraine (based on the data of an analytical review of the market of the joint investment in 2003-2011), [4]

The dynamics of the assets value has also an uptrend during the analyzed period.



Picture 2. The dynamics of the assets value of the venture funds in the Ukraine (based on the data of analytical review of the market of the joint investment in 2003-2011)

We should note that only three hundred seventy six venture funds really attracted the resources in 2011 in the whole world. The dynamics of the resources that were attracted by venture funds is reflected in the table 1.

Table 1

The amount of resources that were attracted by venture funds, billion dollars, [7]

Fiscal year	2008	2009	2010	2011
The USA	32,7	24,1	29,6	32,6
European countries	7,6	5,2	6,7	6,1
China	4,9	2,7	5,5	5,9

There is an impression that a growing amount of venture funds is a feature of a significant development of the industry of the venture investment that is focused on the innovative processes in the Ukraine. But in fact, the statistics doesn't show the real situation in this sphere.

The low rates of the innovative development in the Ukraine are determined by the deficit of the financial resources and by the decreasing demand on the scientific-technical production as from the side of the government, as from the side of a corporate sector. As a result, a share of enterprises that function in the sphere of the R&D decreased from 25% to 10% for the period of 2003-2010. And we should also notice here that a share of the innovative production in the total amount of the industrial production reduced to 3,8%. The share of scientific and scientific-technical development in the GDP reduced from 1,36% to 0,95%.

Table 2

Sectoral structure of investment by type of joint investment institutions (31.12.2007, %)

The source of financing	2007	2008	2009	2010	2011
The own funds	73,7	60,6	65,0	59,3	52,9
The governmentsl budget	1,3	2,8	1,6	1,1	1,0
Local budgets	0,1	0,1	0,09	0,1	0,1
Off-budget funds	–	–	0,02	0,0	0,0
The resources of investors:					
Domestic investors	0,2	1,4	0,4	0,4	0,3
Foreign countries	3,0	1,0	19,0	30,0	0,4
Credits	18,5	–	11,8	7,8	38,3
Another resources	3,2	–	2,0	1,3	7,0
Total	100	100	100	100	100

As we can see from the table 2, the financing by the own funds was 73, 7% in the whole sum of expenses in 2007 but this index fell to 52, 9% in 2011. The resources that were involved from the

governmental budget had also declining tendency. There are also several problems with the resources of foreign investors. An unattractive investment climate of the Ukraine is a reason of this situation. The permanent changes in the legislation, an unstable governmental policy, an absence of tax credits, the guarantees and other negative factors don't promote to the obtaining of cash flows of the foreign investments in our country.

Unfortunately, an official statistics doesn't show information about an innovative activity of enterprises that are financed with the resources of joint venture investment institutions. The closed information about an investment activity is the main feature of the Ukrainian joint venture investment institutions. A sphere of investment of joint venture investment institutions is not defined

The analysis of an industrial structure of different types of joint investment institutions shows that a sphere of investment of joint venture investment institutions is not defined for almost 64% of all information (table 3). [4]

Table 3

An industrial structure of investment by type of joint investment institutions

The sphere of investment	Open	Interval	Closed	Venture
Raw materials	33,29	19,04	15,44	4,08
Finances	20,05	15,53	6,15	7,83
Public services	12,82	20,71	14,79	0,54
Industry	10,95	10,27	13,25	6,66
Consumer goods	10,55	15,39	11,68	7,67
Consumer services	7,84	7,47	6,49	4,70
Oil and gas	1,22	3,10	1,37	0,03
Medicine	0,67	0,92	0,10	0,30
Combined sphere	0,07	0,06	0,13	4,60
Telecommunications	0,00	0,79	0,13	0,01
Not defined sphere	2,54	6,70	30,47	63,58
Total	100,00	100,00	100,00	100,00

An overview of transactions that are connected with a purchase of the floaters by the joint venture investment institutions in 2011 showed that they performed such transaction with the enterprises that function in the sphere of a construction and a production of building materials, a trade, a financial intermediation and an engineering industry (table 4).

Table 4

A structure of investment in floaters by the joint venture investment institutions in 2011

An investment sphere	A share in the structure of investment in floaters, %	Transaction costs, mln.UAH
Construction and a production of building materials	48,6	9438,6
Trade	10,9	2107,2
Financial intermediation	7,7	1495,2
Agriculture	7,2	1407,0
Engineering industry	5,4	1055,6
Mining and processing of minerals	4,3	835,1
Automobile industry	2,9	566,6
Real estate business	2,8	542,4
Engineering and consulting	2,2	422,0
Energy industry	1,7	336,5
Medical industry	0,6	120,6
Other spheres	5,6	1082,7

For the comparison, the venture industry of the USA invested mainly in the sphere of the informational technologies until 2006. Then the venture capital started an “incursion” into the sector of the “clean technologies” and into the sphere of the health protection (biotechnology and medical equipment). According to the results of the analysis that were made by the company "Ernst &Young", more than 35% of venture funds plan to increase the investments into the companies that introduce “clean technologies”. [4]

The “clean technologies” market is the most perspective for venture investments as a global problem of environment pollution isn't still solved [8].

Сьогодні ринок сфери чистих технологій вважається швидкозростаючим і найперспективнішим ринком для венчурного інвестування. Ця тенденція є логічним наслідком невирішеності глобальної проблеми забруднення навколишнього середовища, перетворення екосистем у непридатні для нормального проживання людей.

As an author of the work rightly said [6]: “venture capital is especially important for the small high-tech enterprises (whose goods and services depend on the scientific-technical experience and

knowledge)”. Venture capital is called an “intellectual diversifier” that carries out not only financial services but also services that are connected with the management, the marketing and informational services. The venture capital is the investment into absorption with a help of the loan funds and also a capital investment into start-ups. [5] The venture investment plays an important role in the realization of numerous significant innovations in different spheres of an activity in the modern conditions of an intensive innovative development. So the venture capital is a source of long-term investment in the high-tech spheres of an activity with a high degree of a risk and without any guarantees.

It should be noted that these data underline purposeful character of the Ukrainian investment of joint venture investment institutions in the operating industry that accentuates non-purposeful use of an organizational form of the venture funds.

In our opinion this situation can be explained by the following. An important stage of the development of the national venture industry was an adoption of the law of the Ukraine “About the joint investment institutions (share investment fund and corporative investment fund)”. [1] According to the article №4 of the law of the Ukraine, a venture fund is a not diversified joint investment institution of the closed type that makes only private (closed) placement of securities of joint investment institutions among the legal entities and physical persons. The asset management companies are classified as the professional participants of a stock market. [1] National securities and stock market commission (NSSMC) is a principal regulator of the activity of venture funds. We should also notice that: “nowadays, new financial instruments are extremely needed in order to stimulate significant interest to trade” [9].

A concept of a venture fund in the Ukraine differs significantly from the usual idea of this institute: it is a specific joint investment institution; rules of a creation, an existence and a closing of which are included in the general rules of joint investment institutions. Further in the law there is information only about the investment funds that carry out an activity on the principles of an integration of resources that belong to the investors with an aim of obtaining the profit from investments into the securities, corporate rights and immobility. In other words, it is the investment into the existing business but not into the development of an innovative sphere.

As a result, venture funds in the Ukraine aren't an effective mechanism of a financial guaranteeing of the innovative activity. They are an instrument of the realization of tax credits and of the legalization of a shadow capital because of an absence of an obligation to pay a tax on profits. The developers of this law created a fundamental contradiction between domestic venture funds and an innovative activity in the government in this way.

The basic strategic and foreground directions on 2011-2021 and medium-term priorities are determined in the law of the Ukraine “About the foreground directions of the innovative activity in the Ukraine”. The development of the innovative infrastructure is one of the measures that the government formulated (innovative centers, technological parks, scientific parks, technopolis, innovative business-incubator, centers of a transfer of the technology, innovative clusters, venture funds and others). [2] But the problem is that the mechanisms of the realization of these measures aren't determined. The role of the government is also not defined in this law.

A growing capitalization of the venture funds doesn't lead to an adequate growth of the investment flows in the innovative sectors of the economy according to the estimation of the Institute of Economics and Forecasting of Ukrainian National Academy of Sciences. The specialization on the investment into the start-ups is exceptional for the venture funds. [3] So we can make a conclusion that an aim of the foreign venture funds is a search and a support of innovations but the aim of the Ukrainian venture funds is to be a financial buffer between enterprises in a holding.

Ukrainian joint venture investment institutions prefer to invest into the sectors of the traditional economy that permit to obtain a high level of profitability in a relatively short period of time and with a low level of risk. So an organizational form of the venture funds performs an “instrumental” function of an optimization of the taxation in a legal way.

The development of joint venture investment institutions has a distorted character in the Ukraine that consists in the use of an organizational form of the venture funds for the interests of separate enterprises despite national interests.

The investigation confirms an idea that an existing legal environment doesn't stimulate the investment of the venture capital in the innovative development and in high-tech start-ups. The development and an improvement of the legal acts in the sphere of the venture capital can be a decision of the problem. Moreover, there is a sense to work out a conception of the development of the national venture system that can be a fundamental document and a basis of a strategy of the venture investment in the Ukraine.

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