

**THE FINANCING SYSTEM OF THE INNOVATIVE ACTIVITY IN THE REPUBLIC OF BELARUS:  
THE FEATURES OF THE ORGANIZATION**

**YULIYA SALAKHOVA, VALENTINA BAHATUAROVA**  
**Polotsk State University, Belarus**

*The article analyzes the national innovation system of Belarus on the basis of the Global Innovation Index in order to identify the extent of its readiness for venture businesses, identifies the strengths and weaknesses. It offers the financial mechanism created by the venture business.*

The relevance of the research topic arises due to the need of deep critical rethinking and refinement of the existing management tools of venture capital that will allow increasing the efficiency of cash flow in venture capital. For the first time a financial mechanism of the venture business in the Republic of Belarus is created, ensuring the formation of the effective and integrated National innovation system under the practical implementation of the provisions of the Program social-economic development of Belarus, the state Programme of the innovative development, the Strategy of the creation of modern industries and the National sustainable development strategy of the Republic of Belarus.

The lack of the development of the stock market of Belarus and normative legal restrictions on the participation of banking sector in the venture capital activities hinders the access of the innovative companies to high-risk capital. There is no comprehensive and systematic approach to the study of the formation of a streamlined financial mechanism of the investment business.

The article analyzes and gives the assessment of the state of the National innovation system and the development of the infrastructure for the use of the mechanisms of the venture business with regard to foreign approaches to its assessment. The main indicator used to assess the innovative level of state development supports the global innovation index (The Global Innovation Index), characterizing the innovation component of the State assessment of the commercial results of the innovative activities of the economic entities, the development of the educational system, the state's participation in the scientific and technological innovation activities [1–3].

Since 2007 when the rights were transferred to the Belarusian innovation Fund the financing of venture capital projects up to 2016, the venture capital has not even begun to form.

The earlier reports indicated the number of "zero" column, now "no data" is indicated. This fact could no longer confirm the absence of venture activities in Belarus.

As well as the weaknesses of the National innovation system of the Republic of Belarus you can specify the difficulty of the process of the commercialization of science and innovation, the problems in the state regulation of the innovative activity, the degree of the participation of the state in the development of investment and innovation activities.

These are the requirements for the venture project in accordance with the above guidelines [Methodical recommendations, 2012]:

- the high-tech products, produced under the venture project, shall be demanded on the domestic and (or) foreign markets;
- the presence of the protected intellectual property (high-tech products, production);
- the possibility of the implementation (commercialization) and the start of the production and sales (rendering services) in a relatively short time – not later than 3 years from the start of funding;
- the split of the venture financing of the project into stages, with the definition of the intervals in which the decisions are made about future funding;
- the ability to exit the venture project at any stage subject to return in full in the budget allocation for financing and paying interest for their use;
- the profitability of the venture project shall not be below 40% in the period of its implementation;
- the volume of the investments in the venture project shall not exceed 5 billion roubles (the size of the investment may rise on an annual basis for inflation);
- the presence of the organizational and manufacturing capabilities, experienced teams to implement venture projects.

However, as seen from the data presented in table 1, all indicators relating the level of education, training and sufficiency of the qualified personnel, science is the strengths of the National innovation system of the Republic of Belarus.

It is the high level and quality of education personnel, the level of human potential, quality of formation and reproduction of human capital allows workers of the Republic of Belarus to join the countries with high human potential, and to be one of the leading countries on this indicator in the post-Soviet space [4].

Thus, it is possible to allocate the main positive sides of the National innovation system of the Republic of Belarus:

- legislative consolidation of the possibility of registration of venture capital funds and organizations;
- preferential terms of taxation of business activity, in particular the availability of benefits for income tax at the exit of venture project;
- low levels of corruption;
- support from the state of innovative activity of economic entities;
- high knowledge intensity, the supply of necessary highly qualified personnel, a high level of human potential of the Republic of Belarus.

After a critical analysis of the existing work and the data in the field of venture business in the Republic of Belarus and abroad, it should be noted that:

- 1) in scientific works, there is no uniform approach to the definition of the category "venture capital", its essential characteristics and functions;
- 2) the empirical data are not systematic, therefore, do not allow to draw the objective conclusions about the state of venture entrepreneurship in Belarus, which hinders the possibility of predicting (planning) the development of the venture entrepreneurship in the innovation system;
- 3) there are no studies establishing the role of the venture business in the financial management system;
- 4) you have not defined the elements that form the governance mechanism of the venture capital, and the factors influencing its effectiveness.

Thus, today in the domestic practice there is no integrated approach to the management of venture capital, and to the methods of the venture capital business in the detail.

Consequently, the work on the creation of the effective system of venture entrepreneurship needs to be not only the creation of a system of the regulatory aspects of the venture activity, but also establish a favourable institutional environment for the development of the venture capital market in general and for the development of the financial market in order to use all the possible tools of venture financing.

It is necessary to create an effective financial mechanism of venture business in the Republic of Belarus in the context of the system, the functional and process approaches of the financial management, which is a set of tools and methods of formation, the use of venture capital to ensure the appropriate information management tools.

At the present stage of economic development, venture capital, placed at the disposal of subjects of small and average business the investor can act in two forms, namely: equity capital, if the investor invested through the participation in the formation of the authorized capital; the borrowed capital, if the investor, for example, financed the activities through the purchase of bonds. Because of the complexity of the structure and differences in the nature of the sources of venture capital, the duality of its nature is shown. In both cases, the owner of venture capital will be the investor.

The investor will be able to make a profit either at the time of the sale of its stake in the share capital (the cost of which will increase in case of successful implementation of an innovation project), or return obligations for borrowed resources (including investment income). The innovator makes a profit in the course of an innovation project. To reduce the riskiness of the venture investment in the first place it is necessary to pay attention to the legislative regulation of the investment activities, the state policy in the field of the support of the innovative activity, the transparency of the innovation market and the market of investment resources.

The composition of constituent entities of venture business quite right may be organizations that are not directly associated with investment decisions, however, indirectly play a significant role in increasing of the investment activity.

The main factors hindering the formation of a system of venture entrepreneurship in Belarus, according to many experts, are the lack of competent regulation of the venture activity and an underdeveloped securities market. However, in our view, this is not a key factor limiting the development of venture business.

In this case, the absence in the law of the detailed legal structure for the creation of the venture fund is the reason that the mechanism of the venture business is not functioning at once. In relation to the development of the securities market and the Belarusian stock exchange, this factor is not fully complicate the process of venture entrepreneurship in conditions of development of this type of market relations. In this case, to venture project held an IPO should go usually 5-7 years, and its market capitalization has extremely high. ie, for a truly successful venture capital projects focused on foreign markets, the domestic market is characterised by low levels [5].

Consequently, the investment of venture capital by buying the shares in the authorized fund is not optimal for the Republic of Belarus, and therefore further development should be aimed at the adaptation of the accepted methods of venture capital financing or developing a fundamentally new way.

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