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PROSPECTS FOR THE DEVELOPMENT OF VENTURE FINANCING OF THE COMPANY

***Abstract:** The article gives a general concept of venture capital, describes some of the problems in the development of venture capital financing in China, suggests certain steps for the development of venture capital financing in Chinese enterprises.*

***Keywords:** investments, venture capital, high tech, economic benefit.*

Many studies have found that the scale of capital demand, the timing of financing, and the degree of information asymmetry about corporate reputation change in different stages of the corporate life cycle. In order to reduce the investment risk, investment institutions usually adopt a multi-stage investment portfolio based on the different characteristics of different stages of the enterprise life cycle.

The existence of information asymmetry in the process of enterprise financing has seriously affected the financing ability of enterprises, especially high-tech startups. This kind of information asymmetry at the same time bring the external difficulty to evaluate and its own financing difficulties.

At present, relevant scholars mainly study the financing process of new

ventures from two aspects. N.Brush established a four-stage integration model from the perspective of generalized financing. From the perspective of entrepreneurs, they divided the process of venture financing into four stages: collection, attraction, integration, and transformation, and believed that the process of venture financing is actually the process of resource integration.

In a narrow sense, the process of venture capital financing mainly refers to the process of capital acquisition and integration. He thinks that the process of venture capital financing is actually the process of entrepreneurs obtaining and integrating capital and studies the search, transaction, evaluation, and negotiation in the process of venture capital financing from the perspective of entrepreneurs.

F.Dolinger put forward the stage model of the investment process from the perspective of investors. Through the identification of entrepreneurial opportunities, entrepreneurs form an entrepreneurial intention and start to evaluate the resources [1].

Venture capital is a kind of long-term equity investment with the following characteristics. The purpose of investment is not short-term interest and dividend, but high-yield equity transfer return. It can accept high risk, not only to invest in enterprises, but also to help manage enterprises. High-tech enterprise project has the characteristics of high return, which makes it become a new favorite of venture capital, because the nature of capital is to pursue profits, where there is interest, venture capital usually invests in multiple high-tech enterprise projects, as long as there is a success, there will be profits. The project of high-tech enterprise has the characteristics of high risk.

The reason why venture capital can accept high risk is that it has a set of system to deal with risk, first, including project portfolio investment, project follow-up portfolio investment. Second, the high information asymmetry in the project financing of biotechnology enterprises is to overcome this situation. To

reduce adverse selection and moral hazard, venture capitalists design a series of mechanisms, including information screening mechanism. Third, the incentive and restraint mechanism and punishment mechanism are used to deal with the characteristics of high asset specificity in the process of project financing of high-tech enterprises.

Venture capitalists often adopt the project follow-up portfolio investment mode, with one familiar with the biological industry as the main follow-up. At the same time, many venture capitalists are technical experts, who can identify and recognize the proprietary resources and the proprietary human capital of technical experts. Reasonable pricing promotes close cooperation between the two sides.

Although venture capital has developed rapidly in China in recent years, the amount of venture capital invested in biotechnology enterprises and the number of enterprises are relatively small. At the same time, from the perspective of the investment stage, venture capital is mainly involved in the growth stage, because angel investment is underdeveloped, and there are few high-tech enterprises in seed-stage and startup stage there is venture capital.

At present, venture capital has not invested enough in small and Medium-Sized high-tech Enterprises in China. Speeding up the construction of various systems and promoting the financing of venture capital for small and medium-sized high-tech enterprises is the basic guarantee to solve the financing problem in the entrepreneurial period.

The State supports the establishment of venture capital guidance fund. At the initial stage, the state can arrange some started funds. At the same time, we can raise funds by means of social targeted stock raising and absorbing domestic and foreign venture capital funds.

Actively absorb private capital such as rich individuals and pension funds of companies, and strive to diversify the sources of venture capital. First, the

government sets up venture capital guidance fund or seed fund. From foreign experience, the number of venture capital led by government guided funds is small, and the purpose is not to make profits, but it can strengthen the government's market-oriented role in the biological industry and enhance the confidence of other venture capital.

It is suggested that our country should take part of the funds out of the finance, include it in the budget to increase the capital investment in biotechnology enterprises. At present, there are two basic modes for the government to set up venture capital guiding fund. One is that the government, as the investor, directly sets up venture capital guiding fund. Second, the government finance first takes part of the funds to set up a special fund, and then combines it with social capital to form a venture capital enterprise, which will invest independently [2].

The specific forms can be flexibly chosen, either in the form of direct investment or in the form of policy based science and technology loans. It can be invested by state-owned venture capital companies led by the Ministry of Finance and the Ministry of science and technology. No matter what kind of form, the proportion of government capital investment should not be too large. In addition, the central bank can arrange some policy loans. It supports high-tech innovation enterprises in the form of interest free, low interest and discount loans.

Combined with China's policy credit system, it is suggested that China Development Bank should implement it. Individuals should be allowed to engage in venture capital, and investment should be encouraged.

There are three types of investors in China: representatives or managers of foreign companies, foreigners and overseas Chinese who are interested in the Chinese market, local rich people and successful private entrepreneurs. Current Chinese investors are mainly composed of the first two types, and the latter one should become the main force of Chinese investors in the future.

However, due to various reasons, the domestic investment network has not been formed, although some private investment funds have begun to try.

In view of the inactive situation of investment in China, the government should take the following measures to promote the development of angel investment: first, educate and guide angel investors, introduce incentive measures such as tax relief to encourage them to invest actively; second, formulate relevant laws to protect the legitimate rights and interests of angel investors; third, establish angel investment information network, build a communication platform for entrepreneurs and investors to reduce information search costs and transaction costs. Fourth, improve the financial market exit channel. Finally, realize the diversification of venture capital sources. The experience of developed countries shows that the diversification of venture capital is the most effective way to solve the problem of insufficient venture capital. Venture capital needs long-term capital investment, so it is usually participated by pension funds, insurance funds, and other institutional investors in foreign countries.

Therefore, on the one hand, the government should continue to stimulate private capital through the guidance of government funds; on the other hand, the government should formulate corresponding policies to encourage and support private capital to participate in science and technology venture capital.

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