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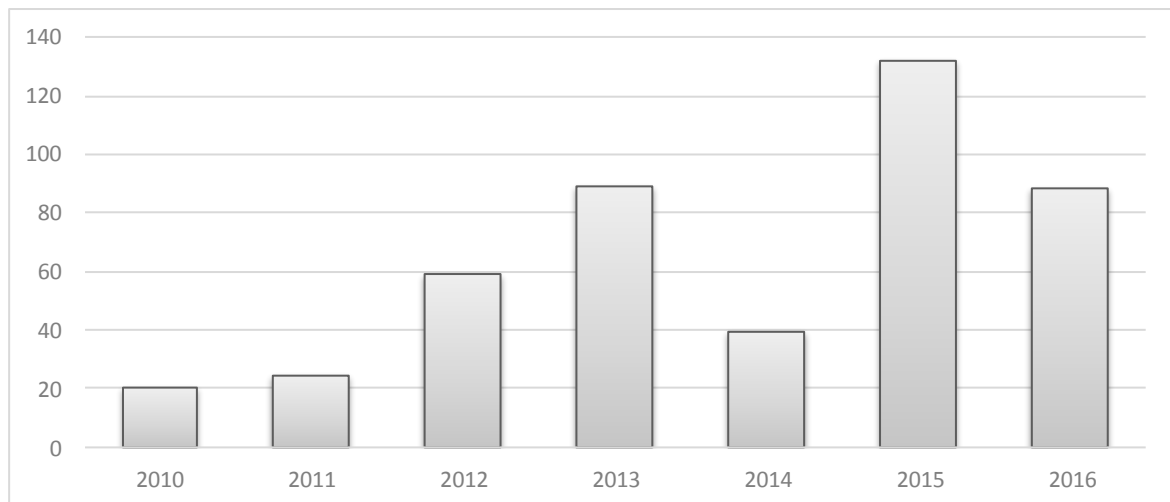
## **VENTURE INVESTMENT IN THE IT AND E-COMMERCE SECTORS IN UKRAINE**

The catalyst for IT and e-commerce development is the implementation of innovative projects. Development and implementation of innovations is due to venture investments. Therefore, the development of the venture investment market is an important element in the growth of the e-commerce market in Ukraine.

The analysis of the venture investment market allows you to make the following conclusions:

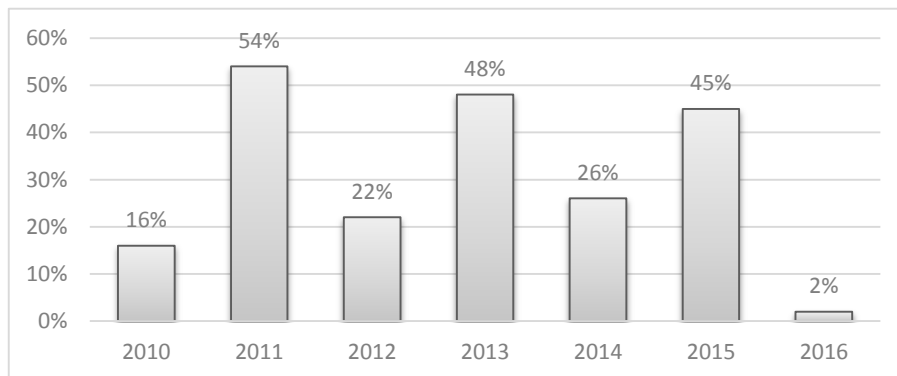
1. On a global scale, venture investment activity has recently declined: according to the results of the KPMG venture capital market research [1], the number of projects in the 1st quarter of 2017 was 15.2% less than in Q4 2016. However, during the same period, the total volume of capital investments increased from \$ 23.8 billion to \$ 27 billion.
2. Due to the economic crisis, the activity on the Ukrainian venture investment market has fallen, but our start-ups are still of considerable interest [2].
3. The total investment in 2016, while the number of transactions increased. This situation indicates an increased interest in investing small start-ups at the seed stage. The total amount of investments in 2016 was \$88 million, and during last five years - about \$400 million. The volume of disclosed investments fell by 33% compared to 2015, but it was 125% higher than in 2014. This is because in 2015 there were several transactions for amounts of tens millions dollars. At the same time, the number of transactions increased by 32% (Figure 1). In 2016, investors more often focused on investments at the seed-level. The average amount of investment at the seed-round was more than \$500,000 [3].
4. A large share of foreign capital in the total volume of venture investments in the Ukrainian business. Transactions in the Ukrainian market are increasingly

concluded with the involvement of international investors, including Silicon Valley. About 60% of transactions last year were held with the participation of international investors. Foreign capital is responsible for 80% of the total investment for the year, without taking into account undisclosed transactions [3].



**Fig. 1. Dynamics of the volume of venture investments, mln. doll. [3]**

5. In 2016, there was a reduction in investments in e-commerce both globally and in Ukraine (Figure 2).



**Fig. 2. E-commerce in the overall structure of transactions (in % of total investment) [3].**

There is a consolidation of the market, for example, in just a few years, Amazon has increased its share in online retailing from 20% to 50%. In Ukraine, too, there are Internet giants. “Rozetka” already now belongs to the TOP-30 retailers of the world (TOP-20, except for the Amazon and eBay sites in different countries) [4].

6. In e-commerce, investors are more interested in digital content projects. In addition, export-oriented projects, sales of unique goods, as well as infrastructure solutions and financial services [4] have high potential.
7. The greatest interest of investors is caused by technological projects. Particularly promising are the sphere of IoT (Internet of things), VR / AR (virtual and augmented reality), AI (artificial intelligence) [4].

Summarizing the above data, we note, that the sphere of venture investment in IT and e-commerce projects in Ukraine has enormous reserves of growth.

The advantage of the Ukrainian venture investment market in IT and e-commerce is a greater return on investment than in highly developed countries. This is due to the presence of highly skilled IT workers and, at the same time, cheap labor (for comparison, the average salary of an IT specialist in Ukraine is 1,100 dollars, in the EU countries - 4,500 dollars, and in the US - 7,000 dollars) [5, p. 78].

However, the development of the venture industry is constrained by such negative factors:

- weak legislative base,
- lack of sources of venture financing and the imposition of restrictions on raising funds from individuals,
- deterioration of the situation in the sector of generation of scientific knowledge,
- lack of quality projects with a strong marketing strategy and significant potential market capacity,
- absence in the sphere of venture management of experienced specialists who possess technologies for identifying and selective selection of promising innovative projects, as well as evaluating their future effectiveness with a sufficient degree of reliability,
- a high level of shadow economy [6, p. 9].

The main obstacles in the development of venture investments in the IT and e-commerce spheres are the unstable environment, the weakness of the venture infrastructure, the low liquidity of venture investments due to the underdevelopment of the stock market, mainly the foreign origin of venture capital, insufficient information support and lack of transparency and openness in business.

A feature of venture investment in Ukraine is the presence of institutional risks. Unlike traditional direct investment, venture investment allows for the possibility of losing the funds from the outset if the investment project does not bring the expected results after its implementation. At different levels, the possibility and expediency of diversifying the sources of venture funds, in particular, from pension funds, insurance funds, is discussed, which will significantly expand the potential volumes of innovation activity, but given the inadequate mechanisms for allocating these funds,

the propensity to informality of economic relations, the investment process can lead to negative social consequences [7, p. 175].

Part of these problems can be solved with the help of state support for the sphere of venture investment. In our opinion, the most rational proposals for activating this sphere were proposed by the UVCA (Ukrainian Venture Capital and Private Equity Association) organization and include:

- The creation of a state institution responsible for the innovation policy of Ukraine on the model of the Office of the Chief Scientist in Israel.
- State support for the introduction of the "Fund of Funds" model for investing in existing on the market and new venture funds. This will stimulate the development of venture and IT industries, and will enable existing 2,500 start-ups to obtain financing in Ukraine.
- Simplification of the procedure for obtaining a work visa. Taking into account the world experience, for Ukraine it is necessary to simplify the conditions and shorten the terms (up to 1 day) for obtaining a working visa for foreign highly qualified specialists, primarily in the sphere of high technologies.
- Cessation of illegal pressure on IT enterprises by law enforcement agencies, including through the introduction and observance of a moratorium on the withdrawal of servers from companies that are engaged in innovative activities.
- Protection of intellectual property.
- Creating fiscal conditions for innovation in Ukraine, similar to working conditions in technology parks around the world. This will become an important aspect for its activation and attraction of international companies for work in Ukraine [8].

**Conclusion.** Venture investment in IT and e-commerce in Ukraine has significant development reserves. Factors restraining market growth are a small number of competitive innovative projects, underdevelopment of the stock market, a shortage of highly qualified employees in the sphere of attracting financial resources. Therefore, the state needs to develop a policy of stimulating venture financing, develop a mechanism for diversifying the risks of introducing innovations, and improve legislation to stimulate innovation.

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