

products for the initiation of projects and risk management, in which banks act as project organizers, their risk managers and consultants.

Project financing should no longer be seen as a way of financing projects, but as a comprehensive banking product for organizing project financing, allowing banks to take into account their specifics to the maximum and, if possible, improve project performance. This experience can be very useful for Ukraine where the problems of banks development and innovation processes initiating are crucial.

So for participation of domestic banks in new forms of innovation activities financing of enterprises [3] with a view to enhancing the development of innovation component of SMEs in Ukraine it is necessary:

- creation at the state level of specialized innovation banks should be encouraged. This can be assisted by: the use of differentiation of the tax rate on banks' profits in lending high-tech projects, depending on resources use direction, granting privileges and banks encouraging to buy shares of innovation enterprises by exempting from tax the part of banks' profits, invested in shares of these enterprises. It is also possible to establish a lowered norm of mandatory reservation for banks, which are lending of innovation projects;

- it is necessary to implement a mechanism for state insurance of loans, granted to SMEs, that develop and implement innovation high-tech products and activities, that are associated with significant investment risk;

- at the level of domestic banks, more attention should be paid to the development and implementation of new credit technologies for innovation projects, development of venture departments in their structure or separate funds with the banks participation, and new banking products development for innovation SMEs.

So we can conclude that within the modern financial strategies banks need to adopt flexible and customer-centric strategy, which should be based on responsibility to global innovation changes, regulatory demands and technologies, which deals with the value networks creation new wave. Full use of the banks' capacities for innovation development and production economic growth requires an increase in the role of the government. Now the state of the banking system is characterized as a post-crisis adaptation to the current economic conditions of functioning.

Analysis of financing innovation models allows us to conclude that for Ukraine the corporate-state system, in which various government agencies responsible for conducting scientific and technological policies play a crucial role, is the most appropriate. At the same time, venture funds and small innovation business in such a system often play a subordinate role, being affiliated with banks, corporations and research institutes. Necessary condition is also a system of powerful universal banks acting as strategic partners of innovation companies.

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Economic development in industrial and emerging economies is driven by investments and innovations. The two are pursuing by enforced research, innovation and entrepreneurial activity, which is usually supported by purpose-established companies. Those type of companies and businesses are more rapidly growing then other entities and therefore are associated with higher risks –innovation viability, market, financial.

Venture capital (VC) have emerged at the time of accelerating scientific-technical revolution in 1970-th, when a need raised for effective implementation of research results into economic and social life. So innovations have become more important for economic development and competitiveness than ever before. Respectively it required more flexible and targeted ways of financing.

At the same time venture capital is similar to the private equity financing, however it specializes on acquiring and placing risky investments into founding or further development of companies that have high growth potential. Said companies have to preferably be involved in high technologies, innovation, information and communication, software development, biotechnology or similar industries. Venture capital targets business and innovation risk management, new products and services promotion, innovation commercialization, gaining profitability, invested venture capital recovery.

The global picture of the regional use of venture capital in the world is rather heterogeneous and to some extent asymmetrical and characterized by the dynamic and movement between continents and countries. The Global Private Equity and Venture Capital Report 2018 figures that at the global level in 2017, 11145 venture capital operations worth \$182 billion were made, which is the minimum number of deals for the last four years, and a record value for the aggregate value of the transaction on average per year. Interestingly, compared to 2016 in 2017, there were 7% decrease of deals made. However, the value of the cumulative deal in 2017 was by 28% higher than in 2016, which ensured the highest level of this past in the last ten years. The increase in value was due to the overwhelming number of operations in excess of \$1 billion, as well as large rounds of financing (at a later stage). Over the past decade, the average volume of transactions has increased by 120%, from \$ 10 million in 2007 to \$ 22 million in 2017 (Figure 1).

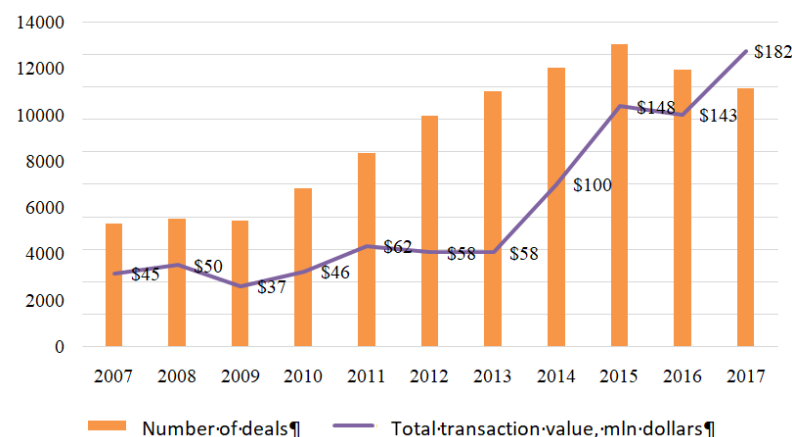


FIG. 1. VENTURE CAPITAL OPERATIONS WORLDWIDE, 2007-2017

Source: author's calculations based on data (Preqin, 2018)

In recent years, there has been a rather active trend in the growth of investments of venture capital into innovative firms, which in their activities primarily provide comprehensive implementation of various environment-saving measures. Thus, some environmental investments, such as investments in Ballard Power Systems cell fuel technologies, have already been recognized by investors as potentially highly profitable. Currently, there is an increase in the number of venture eco-funds and their capital, which is accompanied by an expansion of

the geography of their financing. Such trends are inherent in socially active venture capital investments in the United States, whose aggregate portfolio grows annually by 30-40 percent; in the UK, such funds are doubling every three years.

Despite some success in the world, the newly created young eco-firms are not yet able to bring green venture capital into their business as a new form of socially-oriented investment. To some extent, this is due to the existing view that the profitability of an enterprise (business) is practically incompatible with its environmental orientation. The explanation for this is quite simple - the main criteria for a venture capital investor is financially effective enterprise, which is achieved through medium-term financing of young high-tech companies. Therefore, investors do not always want to invest in eco-firms, which will bring financial results only in the long run. In order to improve this situation, according to experts, the ecological orientation of green venture capital should first of all be based on the main goals of the young company - the definition of its further environmental and social activities. Accordingly, environmentally oriented venture capital or green venture capital is an innovation aimed at developing new ideas and creating new products in an absolute condition for reducing or completely preventing environmentally harmful effects. Therefore, the market for green venture investments is formed and works only under the condition of limitation, but rather the exclusion of negative effects on the surrounding people and natural environment and in fact is a prerequisite for its existence.

However, from the point of view of achieving profitability in the short-term, as it is ensured by the use of venture capital, the observance of environmental development, requires the delineation of environmental activities and the achievement of financial efficiency of eco-firms. Therefore, the financing of environmental measures through the use of environmentally-oriented venture capital should provide added value.

In general, the market of green venture capital is in the stage of its formation, characterized by insignificant volumes of investment in comparison with both venture capital and other forms of investment. Today, such a market is predominantly national investors, but in the long run it will have a significant potential for development. The main factors for the growth of the potential of green venture capital are to improve the technological and managerial factors of the production of eco-firms and, of course, market benefits.

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