

THE GLOBAL EXPERIENCE OF DEVELOPMENT OF VENTURE INVESTMENTS IN THE FINTECH SECTOR

Plakhtii V.I.M.

National Aviation University, Kyiv

Scientific supervisor – Pichkurova Z.V., PhD in Economics, Associate Professor

In today's economic environment, intellectual and venture capital are the engines of economic growth. Venture investing in the world is one of the main methods of raising funds for research and technology development. Attracting investment in technology sectors contributes not only to scientific progress, but also to the development of the economy as a whole. In Ukraine, this type of financing is still quite new and not enough researched.

Venture capital is one of the leading sources of financing, as it meets all the requirements for financing innovation: it is a long-term, risk capital invested in the shares of new, fast-growing, innovative companies with the aim of generating high returns after the shares of these companies are listed on the stock exchange.

Most of the time the venture investment can lead to the losses of enterprise as it is high risky activity and mostly in insufficiently researched sphere. That's why nowadays most venture capital goes from big companies with high profits and special funds intended for this activity [1]. In particular, an important milestone in venture capital investment is investing in financial technologies (Fintech), due to the high profitability and the greater likelihood of win for enterprises compared to other types of investments.

The Financial Technologies market consists of such services as: electronic money, Internet payments, crowdfunding, disposable money transfers, cryptocurrency, etc., and all this is a promising niche for the majority of venture capitalists in many countries. The main investors in the sector are not only small enterprises, but also large players on the world market, such as international banks, transnational corporations (TNCs), mature Fintech companies, as well as countries [2].

After conducting a research of the Financial Technologies market, we found that by the start of the global pandemic COVID-19, investments in Fintech had a high upward trend. In particular, the total global investment in Fintech in 2017 amounted to 60.2 billion USD, and in 2019 - 150.4 billion USD, and the number of transactions in 2017 counted as 2,914, in 2019 - 3,286. In 2020, the situation has changed dramatically and the value of these transactions at the end of the third quarter decreased to 25.6 billion USD. and the number transactions was 1,221.

If we take specifically the global venture capital investments in Fintech, we can see that in 2017 this figure was 23.4 billion USD, in 2019 - 39.3 billion USD, that is, it showed growth trends and their number, respectively, amounted to 2271 and 2683. And as of the third quarter of 2020, the venture capitalism was worth USD 20 billion for 1,016 transactions, down 19.3 billion USD from last year [4].

During the period of the pandemic, the popularity of electronic wallets and blockchain has greatly increased. In the world, there is more and more talk that states will have national cryptocurrencies. In particular, China launched the digital yuan in test mode in April 2020.

Regulators in Ukraine in the near future will allow the use of digital currencies and set the rules of their use taking into account all advantages and risks [4]. For example, Ukraine is also taking steps to implement and regulate the cryptocurrency market and Fintech services. Today the capitalization of the

Ukrainian digital asset market reaches 2 billion USD, and the daily volume of transactions from cryptocurrency ranges from 150 to 200 million USD [3].

But despite the market drop during the pandemic, venture investments in Fintech remain stable while Mergers and Acquisitions (M&A) activities are suspended. Despite global uncertainty, venture capital investment has been significant in all regions of the world. If this trend continues, they will surpass previous annual records. For three quarters of 2020, venture capital investments in Fintech amounted to 20 billion USD, including 9.3 billion USD in the United States of America, 6.7 billion USD in Asia and USD 4 billion in the Europe, the Middle East and Africa (EMEA) region [3].

In conclusion it could be said, venture capital investments are an important component of Fintech. Pandemic of COVID-19 will remain a key driver of change for investments in Fintech, rolling over in 2021, given the significant acceleration in digital development trends such as the use of contactless payments and increasing demand for digital service and usage models.

But given the rapid development of digital technology, venture capital investment in Fintech continues to grow.

References:

1. Zhornokui Yu. M. Problemi pytan'nia zdiisnennia venchurnoho investuvannia yak riznovydu innovatsiinoi diialnosti / Zhornokui, Yu. M. // Rehionalni innovatsiini initsiatyvy: zavdannia ta shliakhy vyrishennia: zb. nauk. pr.za materialamy Kruhloho stolu, April, 5, 2019. – Kharkiv, NDI PZIR NAPrN Ukrainy, 2019. – PP. 158-165.
2. Fintech Venture Capital [Electronic resource]. – Available at: https://www.researchgate.net/publication/326651747_Fintech_Vente_Capital (accessed: 10.03.2021).
3. KPMG Pulse of Fintech [Electronic resource]. – Available at: <https://home.kpmg/ua/uk/home/media/press-releases/2020/09/venchurni-investytsiyi-u-fintekh-zalyshayutsya-stabilnymy.html> (accessed: 10.03.2021).
4. What's going on with fintech venture capital investment? [Electronic resource]. – Available at: <https://techcrunch.com/2021/01/05/whats-going-on-with-fintech-venture-capital-investment> (accessed: 10.03.2021).