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## VENTURE CAPITAL AS A SPECIAL FORM OF CAPITAL

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*Summary. Scientific views as regards to the approaches to define the economic essence of venture capital are systematized. The functions and the role*

*of venture capital in the innovative development of the economy are considered in the article.*

**Key words:** *venture capital, financial capital, innovation development, innovation process, venture capital investments.*

The purpose of the article is to define the economic essence of venture capital and to determine its role in the economy. Author showed the relationship between financial and venture capital.

Different theoretical approaches to venture capital definition, functioning and circulation of the venture capital in economy are considered.

Furthermore, misunderstandings and shifting definitions regarding venture capital terms are quite widespread, leading to several problems in the communication between venture capitalists, entrepreneurs, researchers and policy makers.

The author has determined pragmatic and analytical approaches to venture capital definition. The first focuses on the commercial attractiveness of the venture business. The second approach puts emphasis on the characteristic of the venture investment process.

Terminology differences between the concepts of "venture capital and" private equity in the US and Eu-

rope are analyzed. European (wider interpretation) and American (narrow interpretation) approaches are separately mentioned in the article. In the US venture capital include investments in high-tech companies that are in the early stages of development ("Seed" and "start-up"). According to the European approach venture capital consists of different types of equity investments in all development stages of high-tech enterprises.

The functions of venture capital are examined. They are capital accumulation and its further targeting on the development of perspective innovations; financial provision of innovative activity; providing of management skills and business experience for innovative enterprises; fostering of innovation activity; guarantor of economic stability of innovative enterprises; commercialization of innovation activity; facilitating disruptive growth of new industries and sectors.

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