

Trends of the Innovative Development on the Macro and Micro Levels in Ukraine

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Abstract

This paper discusses the trends of innovative development of small and medium enterprises in Ukraine, and special aspects in the present conditions of economic crisis. The essence and characteristic features of this development, the need to obtain the support of business innovation in the state, the nature of the support, the possible positive effects and obtaining economic benefit are defined. As well the possibility of financial support from other sources, including foreign ones, are defined.

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JEL classification: M10, O11, O12

1. Introduction

The exit of Ukraine from the economic crisis and the further development of the country is the first of all in increasing the gross domestic product, production increasing of goods and services, exports and on the basis of the increasing in welfare of the nation. The main component of this trend is the switch to the latest technology, the latest advances in science and technology, the introduction of modern equipment and increasing social productivity of labor which is based on it. The essence lies in the further development and stimulation of innovation activity as a whole at the national level as well as at the entity level.

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2. Problem statement

The strategic aim is to analyze the current state of development of innovation at the macro and the macro level in Ukraine, the dynamics and the factors that influence on its development, the positive and negative features.

The peculiarities of the state influence on the development of innovative activities of small and medium business, possibilities of activation this process in terms of worsening economic crisis are also defined.

On the basis of the research identified activities will continue to expand and improve these processes in the future.

The study of development of innovative action has been paid much attention by the native and foreign scientists and economists. We could include Bazhan Y., Galchynskiy A., Geyts V., Gubskiy B., Ieshchenko P., Kvasnuk B., Kovtun O., Kolosov O., Seminozhenko V., Fedulov L., Fuks A., Chepurnoy O., Chuhno A. etc.

The main attention in their articles is paid on the development of innovation activity on the state level in the whole and the government influence on these processes in general terms without taking into account the rapid development of negative tendencies in modern conditions of development of Ukraine's economy are been studied.

3. Statement of basic material

Realization of innovation policy should take into account the historical features of country development and the structure of its industry. If for developed countries such as the United States, the structure of the national economy is dominated by small and medium-sized businesses, in the Ukraine by contrast most part is occupied by large enterprises such as metallurgical, machine-building, chemical industry, aircraft, military industrial complex, the production machinery and equipment for the space sphere etc. In terms of sustainable economic development such enterprises in most cases are profitable (or profitable monopoly) have sufficient financial resources (because it is the main source of state orders) and have the opportunity to do research work. They also have the possibility of implementation of energy- and material saving technologies, access and integration of efforts in conducting research projects with foreign partners. These companies have more opportunities to get innovations both the state and from internal and external partners.

Situation is different at the macro level, i.e. the level of enterprises, associations and other entities. But such enterprises characterized by small amounts of activity rather low level of profitability and a small budget. These facilities management objective cannot rely on large financial resources (due to low profitability and the inability to conduct research without the help of foreign investors). They also have a limited number of opportunities and the research results of other enterprises (including foreign), which further reduces their

opportunities. But as international experience shows, such as in the USA small business gives 80% of all innovations. [Galchinskiy A., 2014] In most cases, these small businesses are become in very large and powerful company, such as Microsoft, Google, Apple and others.

Investing activities are inherently expensive area and requires enough large variety of types of resources: material, labor and financial. In addition, innovative activity at any level (micro or macro level) should be encouraged, that all involved in this process subjects should be interested in the final result. For doing this it's necessary to create such conditions for potential investors to be interested in investing financial and other resources.

The main subject who creates suitable conditions for conducting innovation activity is the state. It has a great opportunity : to finance large projects quickly make a reorientation of funding; accelerate the implementation of research results in practice as other companies and other industries and also helps to control the acquisition and use of resources.

All sources of investment of innovations, depending on the entity that invests, can be divided into internal and external. The external include the following: state funding, fundraising domestic and foreign investors: companies, associations, banks, various businesses and individuals.

The state defines the areas of innovation activities that are required for society as a whole, taking into account areas of development and specialization of production and consumer needs. It has the ability to engage in the implementation of the innovation process of contractors from different sectors of the national economy and pursue optimal use of all resources and get the maximum effect. Large volumes of production in the future make it possible to reduce the cost of innovation and research to obtain general social effect.

Among these sources of innovation funding the main should stay the state budget. This is due to the fact that at its core innovation activities are long-term investing financial resources at sufficiently high degree of risk. Therefore, the following funding specific requirements are taken innovative projects and monitor its implementation.

All sources of funding from the state budget can be divided into direct and indirect. Direct are the following: investing money at the innovative project (target credit); formation of joint innovative enterprises; getting funds and funds from other government agencies, leasing operations and leasing activity. Indirect include: providing facilities on taxes, customs exemptions, improving conditions for the sale of goods, bank lending by reducing the interest on the loan.

The simplest but not a very effective form is the direct provision of funds for the development of an innovative project associations and businesses in a variety of credits and loans. In this case it may be used free credit. But in the issuance of such loans enough grounding innovation project with the expectation of final consequences for profit is needed. Also this area requires a clear enough control over the use of published financial resources.

A more effective measure can be regarded as joint ventures with a certain proportion of public funds. In this case, the state has the ability to direct the expenditure of resources and monitoring their use through their representatives in the enterprise. Also you can quickly perform reallocation of financial resources to different areas of investing, based on the specific economic and industrial situation. The support may also be in the form of movement of product produced in the domestic and international markets, in obtaining raw materials, equipment, and transportation and so on.

One of the areas of financial support from the state is getting funds from public sources. In this case, the state can invest innovation activities of enterprises through their investment of resources drawn from other sources, including foreign ones. The main purpose is getting profit with this source of financing. But considering risk investments such activities huge importance has estimating of innovative project, the effects of its implementation and guarantees from the state.

A special place has the issue of state guarantees by use of financial resources by using money out of public funds, including pension, social security, employment and others. The main task of using this direction is to return them and get at least a small profit. But it is necessary to solve the problem of term provision. The use of financial resources of these funds is generally intended for short- term (less than one year), while investment activity may give positive results only in a few years (an average of three years).

As one of the areas of direct funding may be considered the conduction of leasing policy, when the expense of public financial resources is paid for purchase fixed assets and their delivery to Ukraine, install and launch into production. This is especially important because in most cases the modern equipment and advanced technology are required, and technology that is expensive and requires a large investment of financial resources.

With a usage of indirect methods of public funding the most effective is providing various benefits. According the Article 18 of the Law of Ukraine "About innovation activity" [The Law of Ukraine «About innovation activity ", 2002] the following sources of funding are included to other sources they aren't prohibited by applicable law.

For most enterprises involved in innovation activities is very difficult to get state loan (actually this is only possible for large companies that have national importance and perform state programs). In most cases loans and various loans are available from getting them from commercial banking institutions. Given the fact that most of the financial resources of commercial banks include loans from the National Bank of Ukraine, the state may reduce its interest rate if commercial banks make loans for innovative purposes.

Tax and customs policy are the important economic lever. Due to the medium term implementation of innovative project within three years, this time may exempt such businesses from paying income tax and value added tax, payments for property, reducing rates of contributions to various social funds. This especially applies to products which are exported or launched and secured in the

market. While carrying out the customs policy you can be exempt from the payment of customs payments under importing raw materials and equipment, technology, etc., that are used in innovation activities for the duration of its implementation. It is necessary to take measures to facilitate the customs clearance and accelerating the procedure, and this applies not only imports but also exports of ready-made products.

The state has the ability to improve conditions by opening up markets especially in other countries, they contribute to the consolidation of companies and reduce their costs. Particular importance has the assistance in obtaining a variety of information, including that information which is closed to nature. Unfortunately, the smallest proportion in their funding belongs to those innovative projects that are realizing with a help of the state budget. ["Statistical Yearbook of Ukraine for 2012", 2013]. Since 2005, the share of state funding in total funding has been gradually reducing, and in 2012 it was only 1.5 %. Such financing is not uniform. The main reason for this was the lack of a balanced and reasonable public policy of innovation and the complex economic situation in Ukraine in recent years.

The quite important source of investment in innovation activity is also attracting funds from other external sources, including foreign legal entities and individuals. But also it's needed to create the right conditions. The foreign investor will invest financial resources only when there is an interest, primarily from domestic investors or innovation project is financed by own funds of domestic enterprises.

Foreign investors may be: various associations, businesses, banks, corporations and their structures or individuals. It should also be taking into account that investments can be made in various ways: investing money; the contribution in the form of new technologies, techniques, know-how; purchasing of raw materials; information resources; in attraction of highly skilled professionals and others. But providing such interest requires the development of a balanced and understandable public policy and first of all taxation and customs, financial, credit and so on. This includes the formation of favorable tax conditions for attracting foreign investment, taking into account long-term investment of financial and other resources for three or more years. At this time it would be appropriate to release investors from paying all taxes. In a future after the investments will pay off, it's possible to add them the reduced number of tax payments or set lower rates for a certain period (eg, income tax, value added tax or other), the use of tax holidays or tax-deferred basis, etc., and exemption from import duties on raw materials imported into the territory of Ukraine and used for industrial purposes in the implementation of innovation.

The largest share of funding is the financing by at their own expense (an average of 70 %). Thus the share of investment innovation in this source has gradually been increasing since 2000 (a slight decrease was in 2011). This source consists of three areas: income and net profit entities; depreciation; personal income.

In recent years the importance of profit decreases gradually because of going away the entrepreneurships to the shadow business in order to avoid tax payments and not provide evidence of the amount of profits. This is true for small and medium private enterprises as well as for large enterprises to implement such concealment is difficult. Some authors [Chepurnov A.M. 2013] identify a source of self-financing as depreciation. But the feature of it is that this source gradually decreases due to the extremely outdated park equipment and small size deductions.

The third source of funding consists of savings, deposits and contributions to various funds, but in recent years there are structural changes. Due to the decline in private income people decline their deposits. Low deposit rates and changing conditions of storage resources by individual banks don't conduce the development. Some banks refuse to return on time deposits for any reason, or return is carrying out with a violation of the entered terms. Also the public confidence in the banking system of Ukraine as a whole is reducing step-by-step. The most real innovation financing of innovative projects from this source carries out by directly investing or through various investment funds. Their formation may take part by the banking structures.

4. Conclusions

In general, the further development of Ukraine's economy and its successful exit from the crisis associated with the subsequent development of innovation at both the state and at the enterprise level without the introduction of new technologies, new types of equipment cannot be further movement towards GDP growth based on increasing general social productivity. That innovative development is a key factor for further development. Thus the great importance has the definition and sourcing of financing of innovation activities at all levels of government.

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