

CHAPTER 1. CONCEPTUAL ASPECTS OF SYSTEM SUPPORT FOR INNOVATIVE DEVELOPMENT OF BUSINESS ENTITIES

THE SYSTEM OF FINANCIAL SECURITY FOR INNOVATIVE BUSINESS DEVELOPMENT

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The objective need to ensure the innovative development of the enterprise as a prerequisite for its survival in the global competitive environment is demonstrated and confirmed by global economic trends.

For domestic enterprises, ensuring innovative development is one of the prerequisites for their survival, exit from the crisis and potential entry into world markets. The modern view of innovation is not only technological or product innovation, which has many problems in terms of implementation in conditions of scarcity of resources and scientific and technical support, but also managerial, marketing, organizational and communication innovations. This type of innovation can become not only an effective prerequisite for the sustainable development of business entities, but also a catalyst for building up all components of the innovative potential, which is the basis of the complex innovative development of the enterprise.

Thus, the choice of tools and means used to ensure innovative development acquires special importance, increasing the price of economic and social consequences of decisions and actions adopted for their implementation. Formation of a system for ensuring innovative business activity becomes one of the main tasks of the state that

has chosen the path of innovative development. Especially the problem of forming an effective system for ensuring innovative business activity became relevant for Ukraine with the signing of an agreement with the EU, which increased competition on the Ukrainian market.

Innovative systems were investigated in their works by both domestic and foreign scientists. In particular, K. Boyarinova, V. Gusev, A. Kazikhanov, K. Laursen, T. Pisarenko, T. Kvasha, Yu. Drachuk, K. Kopishinska and other scientists considered the processes of innovative development of enterprises and their innovative systems. However, the importance of the system for ensuring the innovative development of the enterprise in its innovative development has not been fully explored.

In view of the above, there is a need to fully understand the term "innovation" from both a scientific and legislative point of view. J. Schumpeter in his scientific work "Theory of Economic Development" (1911) formulated a holistic theory of innovative development, the central point of which was the introduction of the economic category "innovation" as a necessary production function caused by changes in production factors, resources or their combination. J. Schumpeter singles out the following components of innovation:

- introduction of new products, goods, services, new types or unknown to the consumer;
- application of a new production technology, introduction of an unknown method (method) of production for a certain industry;
- use of new materials, types of raw materials, as well as their sources;
- opening and development of a new product consumption market;
- undermining the monopoly of competitors or monopolizing the market due to the production of own, previously unknown products;
 - introduction of a new production organization, management process, organizational structure or their improvement [Schumpeter J., 1934].

The disclosed content of innovation reflects a broad approach to its definition, from which it follows that innovations can be created in any subject area of human activity.

The scientific discourse on innovative activity began to actively develop already in the 21st century due to the acceleration of the processes of obtaining knowledge and their implementation in innovative products and technologies, although its birth took place at the end of the 80s of the 20th century. A system that is capable as a whole to ensure the generation of knowledge, to facilitate its transformation into new technologies, products and services that are implemented in local, regional, national and global markets, can be called an innovation system [Drachuk Ju. Z., at al., 2018].

Gusev V.O. in his textbook "State innovation policy as a means of developing the national economy" derives the concept of innovative activity as follows: there is a typical definition of innovative activity as the activity of bringing scientific and technical ideas, inventions, and developments to a result that can be practically used. In its entirety, innovative activity includes all types of scientific activity, design and construction, technological, research developments, activities for mastering innovations in production. Innovative activity by nature is a systemic and multi-faceted activity, which combines organizational, social and technological innovations and during the implementation of which a new model of development, transformation and use of economic, natural and social resources is formed [Ghusjev V.O., 2007].

From the above V.O. Gusev receives an integrated universal definition: innovative activity is purposeful actions carried out in any type of activity or in any of its subject areas by involving means of intellectual activity and mechanisms of its support inherent in this subject area of activity, with the aim of obtaining various effects (economic, ecological, scientific and technical, social and other) from the introduction into practice of a new product (innovative), which includes a new product, the latest or improved technology, a service, an original approach to solving a problem demanded by society or its institutions, while the qualitative characteristics of both the sphere of innovative activity itself and the segment of consumption or application of this product are changing [Ghusjev V.O., 2007].

A group of Ukrainian scientists led by V.V. Dergacheva in his research on ensuring the innovative development of Ukrainian industry [Drachuk Ju. Z., at al., 2018] followed the evolution of the concept of "innovation system" and came to the

conclusion that from the 1980s until now, the understanding of the innovation system has developed from the national and regional level to the micro level - the innovation system of the enterprise.

The micro level, i.e., the innovation system of the enterprise, has not yet become widespread in scientific circles, although it is the local innovation system that acts as a source of generation and implementation of new knowledge and is in constant interaction with regional and national systems. .

In the modern scientific field, target, resource-information and process approaches to the formation of the concept of "innovation system of the enterprise" dominate (Table 1).

In our opinion, the modern conditions of management of business entities require a systematic approach to the formation of an innovative system of the enterprise, which excludes the use of only one of the approaches. The key element is the innovative potential of the enterprise, ensuring conditions for its implementation in order to increase competitive positions on the market.

The innovative system of the enterprise, thus, is a set of principles, procedures and information and financial mechanisms for realizing the innovative potential of the enterprise in order to obtain competitive advantages.

As we can see, the enterprise's innovation system is closely related to its competitiveness strategy and investment strategy.

The strategy for ensuring the competitiveness of the enterprise is a comprehensive strategy of the enterprise, which includes long-term action programs for all functional areas of its activity, aimed at forming the appropriate level of competitiveness and competitiveness [Mandych O.V., 2017].

One of the most important factors of an enterprise's effective competition is its innovative potential and ability to implement it. Considering the impact and methods of creating a competitive advantage, it is important to divide innovations into incremental and radical. Incremental innovations are aimed at improving products and technologies. The introduction of such innovations has a systemic nature and ensures gradual growth or maintenance of competitiveness.

Table 1 - Scientific approaches to the formulation of the concept of "enterprise innovation system"

Approach	Key element	The essence of the approach
Targeted	Competitive position of the enterprise on the market	A set of principles, goals, tasks, structures, methods and management tools which contribute to successful commercialization of results research and design works with the purpose a level higher business competitiveness
Resource and information	The role of resources and information in innovative activity	Set of resource potential, established principles, procedures and informational, financial mechanisms that provide generation of ideas, their selection, implementation and value creation within the organization
procedural	Subjects of innovative activity process and connection between them	The set of economic entities and types of activities, resource provision and institutions, as well as the connections between them, important for increasing the level of efficiency of the innovation process at the enterprise

Source: Compiled from [Kitchin J. 1923, Crum W.I. 1923, Drachuk Ju. Z., et al., 2018, Salomon K., 2000]

Radical innovation involves the creation of new technologies, products and business concepts. They are revolutionary in nature, providing relatively long-lasting competitive advantages.

Incremental and radical innovations affect important areas that are decisive in the conditions of innovative development, namely:

- the economy and the sectors that make it up;
- enterprises and their business activities;
- products and processes [Blauh M., 2011].

The investment policy is part of the general financial strategy of the enterprise, which consists in the selection and implementation of the most effective forms of its real financial investments in order to ensure high rates of innovative development of the enterprise and constant growth of its market value [Bihdan I.A., 2017].

Some authors consider it expedient to consider the system of ensuring the innovative development of enterprises as an innovative (entrepreneurial) environment - an open system defined by a set of various subsystems, i.e. levels, each of which has its own subjects, i.e. stakeholders of activity. organization for strategic purposes [Sieriebriak K. I., 2016].

Taking into account the impact on business of factors independent of its activity, unmanaged, it is necessary to distinguish the internal and external levels of the innovation environment. The external level is formed as a result of the influence of legislative, political, economic, technological, social and other factors, which are determined mainly by the activities of the state and foreign economic processes. This level is the general environment for the development of enterprises, which determines their organizational culture and innovative activity. The internal innovation level contains a number of systems for ensuring innovative development and is primarily related to the activities of the company's employees and management.

Management professor R. Daft, in addition to the external and internal levels, also defines the integration level as the immediate environment of the enterprise, that is, a functional environment characterized by a set of tasks of innovative development of enterprises in the service sector [Daft R., 2021].

Thus, the system of ensuring innovative development of enterprises is defined as a set of internal and external factors and conditions of enterprise development, which

has a direct and indirect influence on the internal level of innovative development of enterprises (Fig. 1).

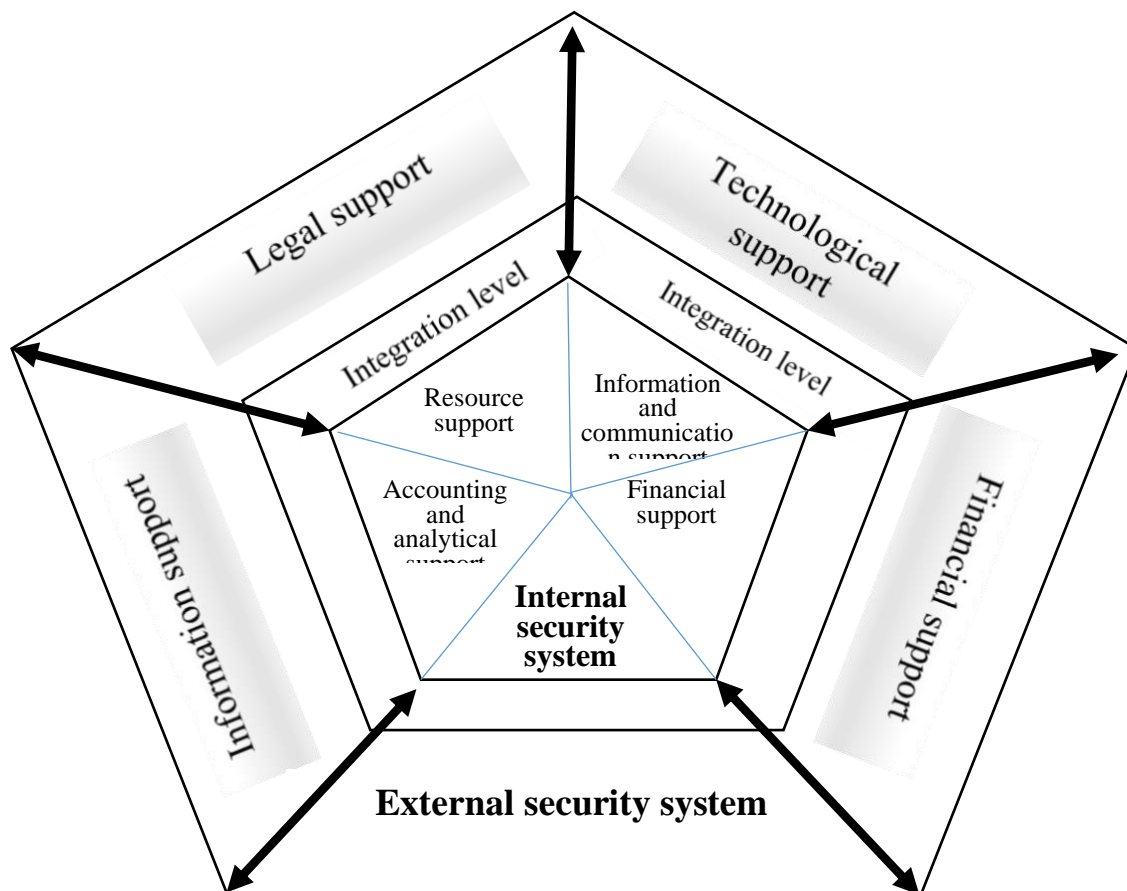


Fig. 1 System of ensuring innovative development of enterprises

Source: author's own development based on [Schumpeter J., 1934, Ghusjev V.O., 2007]

The resource provision of the innovative activity of the organization should be understood as a complex process of mobilization, accumulation, distribution of resources, as well as implementation of planning, control, and monitoring aimed at effective and rational use of the resources of the innovative development of the enterprise. Resource provision of innovative activity involves such processes as determining the need for resources, mobilizing resources, drawing up and implementing a budget not only of monetary funds, but also of stocks, fixed assets, sales of products, etc.

The system of information provision at various levels (national, regional, branch) traditionally includes special institutions that ensure the creation of information resources, as well as their collection, processing, storage and distribution. These institutions are called to act in the conditions of innovative development of the economies of different countries and to provide information needs of all participants of the innovation process at all its stages. This vision of the essence of innovative information provision is acceptable for the external level, but acquires the characteristics of information and communication provision when it comes to the internal level of the enterprise.

Communications in this case consist of two components. The first is the exchange of information regarding innovative activities between the enterprise's divisions, the enterprise and the integration level (stakeholders), the external and internal innovation environment of the enterprise. The second is the use of modern communication networks to collect and transmit information, which is the basis of innovative development.

The effectiveness of information support for innovative development is directly dependent on the system of accounting and analytical support. However, today, information on income, expenses, cost of production and financial results from innovative activities is not displayed in a systematized form.

There are no clear approaches to summarizing information about innovation processes in the registers of analytical accounting and internal reporting, which would provide relevant information for management needs. To ensure the effectiveness of the implementation of innovative processes at enterprises, it is necessary an effective, scientifically based system of accounting and analytical support for managing the costs of innovative activities.

All forms of financing activities according to the system of forms of financing, depending on the sources, are divided into two groups:

- 1) internal financing - financing at the expense of cash flows (self-financing, financing at the expense of depreciation and reserves) and financing as a result of asset restructuring;

2) external financing - partial financing, credit financing and state support measures (subsidies, subsidies, benefits).

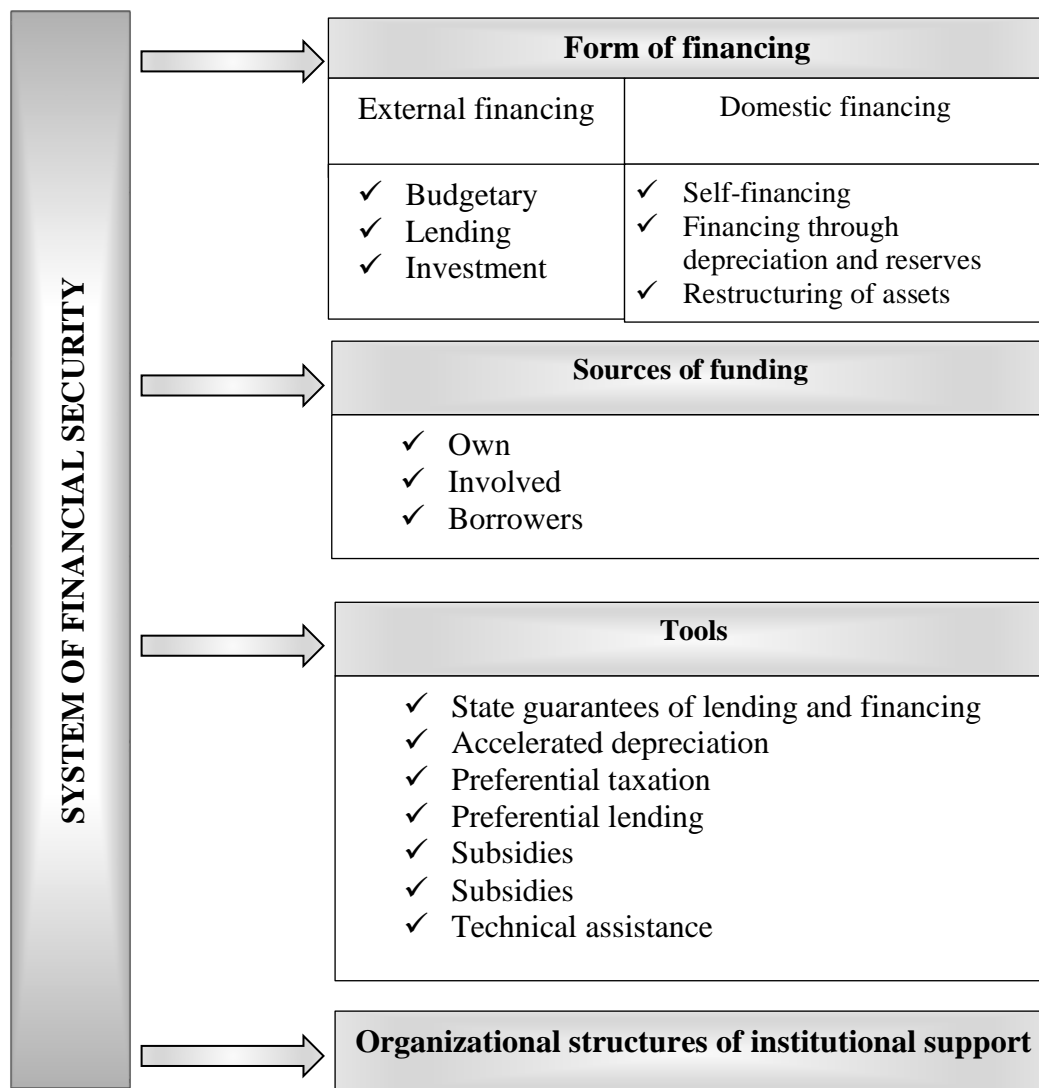


Fig. 2. Component systems of financial support for innovative development

Source: author's own development based on [Schumpeter J., 1934, Mykytjuk P. P., 2015]

Considering internal financing as the main forms of financing the activities of small enterprises, it is possible to take into account:

1) self-financing, which involves the accumulation of received profits and the preservation of their amounts, which allows to use these funds as a source of financing in the future. Withholding is possible in the following forms: refusal of distribution or

postponement of profit distribution among participants; formation of passive reserves due to deductions from income before taxation;

2) financing at the expense of depreciation, which is financing at the expense of positive cash flows obtained as a result of reimbursement of depreciation. Since small agricultural enterprises can direct the amount of amortization received in the revenue to various purposes (not only for the reimbursement of the cost of fixed assets), they have the opportunity to finance any projects, including the expansion of production;

3) financing as a result of asset restructuring is achieved due to the release of capital invested in fixed and working capital through the sale of (surplus) property at a price higher than the book value.

Leasebacks can be used as internal financing that has the characteristics of external financing for a business. Leaseback includes transactions in which the lessee and the supplier, i.e. the seller, are the same person. The lessee (producer) sells his equipment or the enterprise as a whole to the lessor and at the same time rents it out. The tenant retains the right to own and use the equipment. Thus, the funds received for the sold property can be directed by the lessee to production and investment purposes. At the same time, according to the lease agreement, the lessee will make payments according to the agreement in the usual manner. This type of leasing can be equated to receiving money against property, but in this case, the security is not issued. This form has features of external financing, but is more closely related to asset restructuring, which is a form of internal financing.

The most relevant form of external business financing is short- and medium-term lending: a commercial (commodity) loan that provides for payment for the purchase of goods, raw materials and with installment payments, which reduces the outflow of capital in this direction and allows the use of funds that are not intended for the current moment and, at the same time, due to the purchase of goods, works, services to prevent the stoppage of production; the attraction of bank loans at interest for a short term is widely used, which allows financing due to the inflow of capital for the amount of the loan. When choosing from the last two considered forms, an assessment is made:

a) the cost of a commercial loan based on the loan financing rate;

b) the cost of a bank loan based on the premium to the price (discount for payment and settlement in cash) and the installment payment period. When comparing options, the choice is made in favor of the form with the lowest cost; a credit line can be used by a small agribusiness. It is convenient to issue a credit line at the bank where the company's current account is opened. Since the line of credit is a somewhat risky loan for the bank, the cost of this type of lending to the business is higher than obtaining a conventional short-term loan [Lupenko Ju. O., et al., 2020].

Long-term lending is practically not found in small business activities due to the fact that the level of creditworthiness does not allow taking such a bank loan or its cost becomes high. Such a form of external financing as the application of state support measures is optimally suitable for small businesses. Factoring and leasing are substitutes of loan financing acceptable for small businesses. Significant differences between these forms do not allow to include them in the composition of forms of loan financing. Factoring is the transfer (sale) of receivables incurred for the sold products, works, and services of the factoring company.

The cost of factoring for an enterprise that transfers (sells) the right to demand receivables includes:

1) credit interest for payment of receivables, which can be at the same level or slightly higher than the credit rate for a bank loan;

2) factoring fee, which covers the costs of the factoring company for the provision of various services stipulated in the concluded factoring agreement. The level of this fee depends on the list and volume of services provided and on the amount of receivables realized under the factoring contract (on average it is 1-3%);

3) compensation for the risk of the debtor not paying his debt, the amount of which is affected by the creditworthiness of the debtor; determined, as a rule, in the amount of up to 1% of the amount of receivables. To determine the effectiveness of factoring and to make a decision on its use by small agribusiness enterprises, its relative value is calculated, which is determined by comparing the costs of paying the cost of factoring and the amount of money received as a result of the sale of receivables.

If this cost is below the level of the average market rate for bank lending, then the use of factoring is economically justified. The positive aspects of using factoring for small businesses are: acceleration of the turnover of receivables, which entails a reduction in the turnover of current assets and an increase in the profitability of assets; reduction of costs for accounting for receivables; increasing the company's liquidity and stability. The use of factoring is impossible in the case of concluding a contract with a counterparty who buys goods under the conditions of transfer of ownership to the counterparty only after its full payment.

According to the Law of Ukraine "On Financial Leasing", leasing is an operation in accordance with which the lessor (lessor) undertakes to purchase the property specified by the lessee (lessee) from the seller specified by him and to provide this property to the lessee. property for a fee in temporary possession and use [About financial leasing, 2021].

Several forms of leasing can be distinguished: operational leasing; financial leasing; reverse leasing. Operating leasing has the characteristics of leasing to a greater extent, it provides for the transfer of the right to own and use property for a short-term period, as a rule, less than the period of useful use of the property. After the expiration of the operational leasing contract (or earlier at the request of the lessee with prior notice to the lessor), the lessee may choose one of the following options:

- 1) return property (for example, equipment) and terminate contractual relations with this lessor;
- 2) extend the operational leasing contract (possibly on the most favorable terms);
- 3) acquire ownership of previously leased property at a reasonable residual market value.

Financial leasing is the acquisition of the right to own and use property (for example, equipment) for a long term, which maximally corresponds to the period of useful use of the object. The subject of the financial leasing contract is specific property needed by the lessee and purchased by the lessor from a specific supplier chosen by the user of the property. After the expiration of the financial leasing contract, ownership of the leased object is transferred to the lessee, taking into account the

payment of the purchase price of the property. Since financial leasing provides for the return of the value of the leased property during the term of the leasing agreement of the parties, the annual commission rate under this type of agreement is lower than under an operational leasing agreement. Financial leasing can be considered by small enterprises as an optimal form of long-term financing.

The use of financial leasing has many advantages compared to other forms of financing, especially when it acts as a method of reproduction of fixed assets.

All participants in the innovation process should be interested in combining their interests and efforts in creating and applying new knowledge and technologies in order to enter the domestic and foreign markets with high-tech products. In implementing the mentioned interaction and thus creating an economy based on knowledge, the central role is played by the state power.

Institutional support of innovative development is a set of legislative, informational, infrastructural and financial measures carried out by regulatory entities and institutions at the national, subnational and micro levels, with the aim of achieving a socio-economic effect.

State financial regulation is one of the important instruments of influencing the innovative development of the country.

Ensuring a targeted impact on the rates and quality of economic growth requires the formation of an appropriate system of financial regulation aimed at managing results based on the improvement of institutional support for financial and economic transformations.

Ordering the regulatory goals of financial policy allows to achieve the appropriate balancing of the process of redistribution of financial resources in society, the level of satisfaction of public needs. It is necessary to ensure the transformation of the financial mechanism into an effective means of implementing the innovative development strategy.

Important tasks in the conditions of transformational transformations are the implementation of an effective budget and tax policy, increasing the level of transparency of the budget process.

This will provide an opportunity to increase the investment component of the domestic economy and increase the amount of tax revenues to the budget, reform the tax system and use the tax potential of territories to ensure innovative development of the country. At the same time, it is important not only to optimize the use of the tax potential of territories, but also to create favorable conditions for the growth of innovative activity of business and the economy as a whole, as well as due to the introduction of the principles of transparency of subjects of tax legal relations, restoration of trust between taxpayers and the state.

The institute of budget regulation should be based on a set of forms, means, mechanisms for the formation and implementation of budget policy tasks, which determine the conditions of the relationship between the participants of the budget process.

The budget policy of the state as a dynamic system that develops depending on the socio-economic needs of society must use appropriate regulatory mechanisms, taking into account foreign experience.

During the economic crisis caused by the coronavirus pandemic, the share of research and development expenditure in the gross domestic product (GDP) in Ukraine, according to state statistics, decreased from 0.75% in 2010 to 0.43% in 2020 [State Statistic Service of Ukraine, 2021]. In the same period, this indicator in the EU countries increased from 1.92% to 2.14%, the growth dynamics of the specific gravity is observed in all the countries of the European Union except Romania, Slovenia, and Hungary. The structure of sources of financing of the GDR in the EU countries as a result of 2019 is as follows: business sector - 58.6%, public sector - 29.2%, higher education sector - 1.1%, private non-profit sector - 1.5%, funds from foreign sources 9.6%. In Ukraine, the structure of sources of funding for scientific and research work is significantly different from that formed in the countries of the European Union over the last ten years. Thus, almost half of all expenditures on the GDR are financed by the state, but in recent years there has been a tendency to decrease the share of this source of financing (from 49.5% in 2010 to 46.3% in 2019). A significant share, 21.7% of the total volume of financing, is provided by funds from foreign sources, which is different

from European countries, but reflects the general trends of the countries of the former socialist camp. So, for example, in Bulgaria, 33.1% of the total volume of GDR is financed by foreign investments, in Latvia - 41.5%.

Each of the countries has its own characteristics of innovative development and forms of stimulating innovative activity, which usually consist of preferential taxation and crediting, subsidies, grants (Table 2).

The crisis caused by the coronavirus disease pandemic had a negative impact on the number of innovatively active enterprises, the total number of which decreased by 5,890 units (Fig. 1), their share in the total number of enterprises decreased from 28.1% in 2016-2018 to 8.5% in 2018-2020. The innovation activity of small and medium-sized enterprises decreased at the fastest rate. Attention should be paid to the sharp decrease in the number of business entities that implemented new organizational methods.

Table 2 - Comparison of funding sources and expenditures for the NDR in 2019

Sector	EU		Ukraine	
	The share of financing costs for research work	The share of expenses for research work of the GDR	The share of financing costs for research work	The share of expenses for research work of the GDR
Entrepreneurial	58,6	66,5	30,5	59,3
State	29,2	10,9	46,3	34,6
Higher Education	1,1	21,8	0,3	6,1
Private non-profit	1,5	0,8	0,1	-
Funds from foreign sources	9,6	-	21,7	-

Source: summarized by the author based on the data [State Statistic Service of Ukraine, 2021, Eurostat 2021].

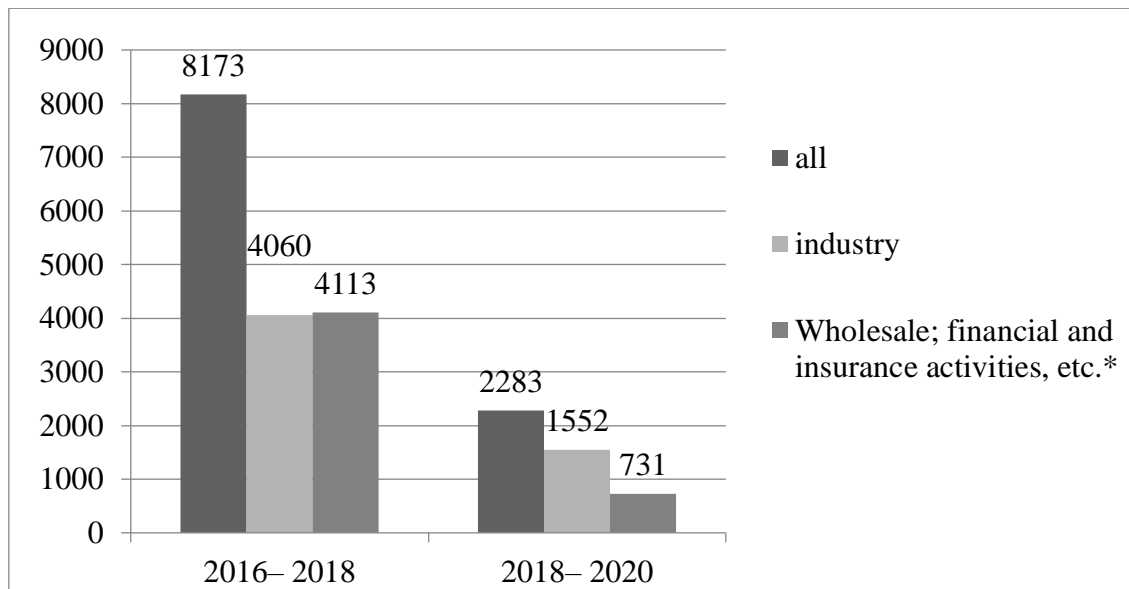


Fig. 2. The number of innovatively active enterprises by economic sector

Source: author's own development based on [State Statistic Service of Ukraine, 2021].

The study "Small Business Mood Index" conducted by the European Business Association testified that the economic situation in the country is the worst of all the components of the Index, according to survey participants. Yes, 80% consider the current economic situation unfavorable for doing business. The main reasons for this are the low purchasing power of the population, the impact of quarantine restrictions, the tax burden and fiscal pressure [National platform for small and medium business, 2021].

General economic trends indicate that 82.2% of enterprises have no desire to innovate, and consider low demand for innovations in the market, previously introduced innovations, very low competition of the enterprise in the market, lack of good ideas or opportunities for innovation as good reasons. for this [Liashenko V. I., at al., 2019].

According to the results of the study of the dynamics of changes at the macro level, it should be noted that there was a decrease in overall innovative activity, SMEs in the service sector were most negatively affected, which is largely a consequence of the impact of the socio-economic crisis.

Thus, due to the unstable political and economic situation, subjective and objective reasons of an intra-economic nature, the domestic economy does not have a mechanism for organizing favorable conditions for innovative business development.

Ukraine's chosen path of integration into the European Union requires convergence and integration of the national economic system with the systems of the EU countries. This puts Ukraine in front of the choice of introducing the model of development that is accepted by the EU as the basic one, that is, the model of innovative development.

Special requirements for the nature and pace of development of the national economy after its exit from a multi-year deep crisis state are the tasks of ensuring its reproductive innovation cycle on a new technological basis in the conditions of a market economy, as well as ensuring the social orientation of this reproductive cycle with the most effective use of the innovative potential of the country, internal and external resources, the achievement of a faster pace of development dynamics compared to the leading countries of the world in accordance with the direction of progress of the world economy.

Thus, the adoption of an innovative model of the development of the national economy will ensure its competitiveness and entry into the path of sustainable development. Therefore, the transition to an innovative model of the development of the national economy is gradually becoming an imperative of state policy. This consists, first of all, in the establishment of effective legal regulation of relations in the field of innovation.

The modern regulatory and legal framework regarding scientific, technical and innovative activities includes about 200 documents. In particular, the national innovative legislation includes the norms of the Constitution of Ukraine, the Economic Code, the Law of Ukraine "On Innovative Activity", the Law of Ukraine "On Priority Areas of Development of Innovative Activity in Ukraine", the Law of Ukraine "On Investment Activity", the Law of Ukraine "On Scientific and Scientific technical activity", the Law of Ukraine "On the special regime of innovative activity of technological parks" and other normative legal acts, which determine the legal,

economic and organizational principles of state regulation of innovative activity in Ukraine, establish forms of state stimulation of innovative processes and are aimed at supporting the development of the economy of Ukraine in an innovative way.

The initial legal prerequisites of the state innovation policy are laid down in the Constitution of Ukraine. Thus, Article 54 guarantees citizens freedom of scientific and technical, as well as other types of creativity, protection of intellectual property, their copyrights. In this very article, it is determined that the state contributes to the development of science, the establishment of scientific ties between Ukraine and the world community.

In addition to the aforementioned legislative acts, the Concept of scientific, technical and innovative development of Ukraine, adopted by the Verkhovna Rada of Ukraine on July 13, 1999, should be noted separately. The concept contains the main goals, priority directions and principles of the state scientific and technical policy, mechanisms of accelerated innovative development, guidelines for the structural formation of scientific and technological potential and its resource provision. It defines the principles of relations between the state and subjects of scientific and scientific and technical activity, which are based on the need for priority state support of science, technology and innovation as a source of economic growth, a component of national culture, education and the sphere of realizing the intellectual potential of citizens. The Concept is designed for the period of stabilization of the economy and the achievement of its continuous development.

According to the legislation, economic entities of all forms of ownership that implement innovative projects in Ukraine receive state support, including enterprises of all forms of ownership that have the status of innovative.

Thus, in the modern understanding, innovation under various conditions is defined as a process and as the final result of activity (innovation), embodied in the form of a new or improved product, new services that have market demand or socio-economic significance for society, a new or improved technological a process used in practice. As a result of the use of innovations, the quantitative and qualitative characteristics of the spheres of production and consumption are significantly changed,

economic development is accelerated, and the intensification of social production is ensured.

According to the modern international standard established in the documents of the European Commission, innovation is considered as the final result of creative activity, which was embodied in the form of new or improved products that are sold on the market, or a new or improved technological process that is used in practical activities.

The above definition of innovation to some extent found its reproduction in Article 1 of the Law of Ukraine "On Innovative Activity", where innovation is given a universal definition: innovation - newly created (applied) and (or) improved competitive technologies, products or services, as well as organizational and technical solutions of production, of an administrative, commercial or other nature, which significantly improve the structure and quality of production and (or) the social sphere.

Innovative activity, like the basic category "innovation", does not have a clear definition among scientists, and the definitions of innovative activity in the legislation of Ukraine are not mutually agreed upon.

Thus, Article 1 of the Law of Ukraine "On Innovative Activity" stipulates that innovative activity is an activity aimed at the use and commercialization of the results of scientific research and development and leads to the release of new competitive goods and services to the market.

Article 3 of the Law of Ukraine "On Investment Activity" defines innovative activity as one of the forms of investment activity, which is carried out with the aim of introducing the achievements of scientific and technical progress into the production and social sphere, which includes: the production and distribution of fundamentally new types of equipment and technology; progressive cross-industry structural shifts; implementation of long-term scientific and technical programs with long payback periods; financing of fundamental research for the implementation of qualitative changes in the state of productive forces; development and implementation of a new, resource-saving technology designed to improve the social and environmental situation.

The Commercial Code of Ukraine considers innovative activity only in the field of management and defines it as the activity of participants in economic relations, which is carried out on the basis of the implementation of investments for the purpose of implementing long-term scientific and technical programs with long periods of payback of costs and the introduction of new scientific and technical achievements in production and other areas of public life (Article 325).

When defining the concept of innovative activity in educational and methodological and scientific papers, attention is focused on the connections of innovative activity with scientific and technical activity and with the implementation of scientific and technical developments.

The state, as one of the main subjects of innovative activity, ensures the introduction of innovative processes into the national economy and the establishment of perfect legal regulation of relations in this area.

In particular, state regulation of innovative activity, as provided for in Article 6 of the Law of Ukraine "On Investment Activity", is carried out by:

- definition and support of priority areas of innovative activity at the state, branch, regional and local levels;
- formation and implementation of state, branch, regional and local innovation programs;
- creation of a legal framework and economic mechanisms to support and stimulate innovative activity;
- protection of the rights and interests of subjects of innovative activity;
- financial support for implementation of innovative projects;
- stimulation of commercial banks and other financial and credit institutions that provide credit for the implementation of innovative projects;
- establishment of preferential taxation of subjects of innovative activity;
- supporting the functioning and development of modern innovative infrastructure [About investment activity, 1991].

The State Agency of Ukraine for Investments and Innovations is the specially authorized central body of the executive power in the field of innovation, whose

activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the First Vice Prime Minister of Ukraine. The main tasks of State Investments include: participation in the formation and implementation of state policy in the field of investment and innovative activity and the creation of a national innovation system to ensure the implementation of effective state innovation policy, coordination of the work of central executive authorities in the field of innovative activity.

The key problem of the state innovation policy is the formation and implementation of its priorities as the main and most important areas of system activity.

The state priorities of innovative activity are set out in the Law of Ukraine "On Priority Areas of Innovative Activity in Ukraine", which defines the legal, economic and organizational principles for the formation and implementation of priority areas of innovative activity in the country.

The priority areas of innovative activity in Ukraine are scientifically, economically and socially justified and legally defined areas of innovative activity aimed at meeting the needs of society in high-tech, competitive, environmentally friendly products, high-quality services and increasing the export potential of the state.

The priority areas of innovative activity in Ukraine oblige the executive authorities of all levels to create a regime of the greatest assistance in the implementation of works aimed at the implementation of the relevant priority areas, and the concentration of financial, economic and intellectual resources on them.

Stimulating competition and limiting monopoly ensures the spread of innovations at the general economic level. The regulatory basis for promoting competition is antimonopoly legislation aimed at the development of competitive entrepreneurship, limiting the activities of monopolistic enterprises, creating prerequisites for the demonopolization of the economy, and preventing unfair competition.

Therefore, for the transition of the country's economy to an innovative path of development, perfect regulatory and legal support is necessary. Norms on innovative activity, which are contained in many acts of different branches of the legislation of Ukraine and according to which innovations are components of the investment process,

form a legislative basis in Ukraine for the implementation and development of scientific, technical and innovative activities, which have quite distinct signs of constant improvement, but its effectiveness influence on the development of innovative processes is still insufficient.

Thus, having determined the place of financial support in the system of ensuring innovative development, it can be argued that financial support has a significant impact on the innovative development of business, occupies an important place among the components of the system of its support. Despite the large number of problems in the field of financial support for the innovative activities of enterprises, the lack of funds is the most important factor restraining the innovative development of business entities.

The study showed that in order to successfully conduct innovative activities, it is necessary to use various sources of financing innovative business activities. However, the most important source is the company's own funds. State support, on the contrary, occupies an insignificant share in the financing structure of innovative enterprises, which negatively affects their activities in this area as well.

Effective implementation of innovative activities should be accompanied by a well-thought-out investment policy that would provide for sufficient financial support (increased state funding of scientific research, support for small innovative enterprises, development of venture capital investment, improvement of the legislative framework). An innovative enterprise needs to create a favorable investment climate for its successful operation.

Full financial support of innovative business activity will enable business entities to increase their competitiveness in the domestic and foreign markets. In turn, the state has the opportunity to strengthen its position in the global economic space due to innovative development.

The problem of financing innovations is not only a lack of financial resources. There is also a need to create a rational structure for the distribution of funding sources in this industry.

The analysis of the sources of financing innovative activity of enterprises proves that Ukraine has not formed a single optimal mechanism for stimulating innovative

activity. Support from the state is insufficient, and the system of bank lending for innovative projects is imperfect. For the effective functioning of the system of financial provision of innovative development, it is necessary to form a system of providing innovative development of the state based on a comprehensive approach, which will stimulate innovative business development.

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