



THE PARADIGM OF INNOVATIVE ECONOMY AS THE BASIS OF THE PROGRESSIVE DEVELOPMENT OF THE STATE

Tatiana ANDREEVA, *PhD in Economic Sciences, associate professor, IRIM*

(andreevatatiana72@mail.ru)

Evghenii GROSU, *PhD student, IRIM*

(evghenii.grosu@mail.ru)



Abstract

In the article are considered the main aspects and the concept of an innovative economy at the present stage as one of the highest priority development areas for any state, which provides the opportunity to increase the competitiveness of the national economy on the world stage. An important factor in this regard is the attraction of the necessary resources for the implementation of innovative development programs, in particular the attraction of foreign direct investments to build an innovative type of economy, as well as the interconnection of investment activity and scientific and technological progress. The most important of these is the consideration of investments as a kind of catalyst for scientific research, which is especially important in the conditions of the transformation of science into the direct productive power of society. In this regard, a model of financing economic growth based on innovation should be formed, creating the possibility of developing the real sector of the economy based on the latest achievements of scientific and technical progress and the formation of an optimal structure of social production.

While innovations in their classical definition have always defined and accelerated the development of industry and the economy, the term innovative economy has been widely used only since the 1990s. An innovative economy is the economy of countries in which most organizations are engaged in innovative activities (production and use of innovative products), and innovative products exceed half of the total production or is close to it. The sector of innovative economy appeared in the industry of advanced



countries since the first scientific and technological revolution and since then has become the dominant sector of the economy with high technology and high labor productivity.

An innovative economy as a whole is an economy capable of effectively using any innovations that are useful to society. Moreover, this and the general innovation system (infrastructure) in the state, which contributes to the implementation of the ideas of scientists in practice and their implementation in innovative products.

An innovative economy includes, as an essential component, a venture scientific, technical and technological business - a risky business for the implementation of scientific discoveries, inventions, large and medium technological innovations.

The venture scientific, technical and technological business from the point of view of entrepreneurship is aimed at obtaining high profits. And from the point of view of development processes - on the creation of breakthrough technologies and powerful new companies - world high-tech leaders. A key element of the innovation system infrastructure is a technology park based on the achievements and experience of the global venture business, on world-class specialists, on transparency and competition, on the investments of business angels (private investors with experience in the venture business), which make up at least half of all investments.

Competition stimulates entrepreneurs and management to create new products, innovative production in order to maintain and expand their niche in the market, to increase profits.

Free competition is the main driver of innovation and innovative products, and as a result, the main condition for the development of the country's economy. In an innovative economy, physical capital is being replaced by human capital as the main development factor and share in national wealth. This process has been and is taking place at all stages of the development of the economy and society. But it became decisive at the stage of the post-industrial economy and, especially, the knowledge economy.

For the modern post-industrial innovative economy of developed countries it is characteristic a high index of economic freedom, which ensures freedom of labor and its movement, freedom of business, citizens' security, protection of private property, free competition, a rational and scientifically sound presence in the state economy, high demand from the economy for innovation and competition between them in quality and efficiency. High and competitive quality of life. Human capital flows to where it is more convenient to work and live for demanded and competitive specialists, etc. Respectively, transitional economies must consider this particular development vector as a priority. There is no doubt that it is the innovative economy that is the main and necessary condition for the development of the economy of the Republic of Moldova.

Keywords: *innovation, innovative economy, economic development, investment in innovation, competitive ability.*

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Introduction. In the modern conditions of the development of the world economy, it is generally accepted and does not need additional justification the statement of no alternative for the Republic of Moldova for an innovative development path.

One of the key factors that have led to radical structural changes in the global economy over the past decade has been the increased economic role of innovation. This is primarily due to the increasing impact of science and technology on all aspects of society, fundamental technological changes, leading to large-scale socio-economic and institutional changes. Respectively, the set of key factors of economic growth is changing. The most important of these are scientific knowledge and intellectual capital, which are recognized as the main sources of creating competitive advantages and sustainable development of socio-economic transformations in the Republic of Moldova.

It also seems necessary to place a serious emphasis on attracting foreign direct investment in the innovative sphere of the economy, as innovative activity in various sectors of the economy is the most important factor in economic growth. However, for the most successful passing of investment processes from the state, foreign investors, individual enterprises, individuals, is required the mobilization of material, human, financial, information, managerial, legal and other resources.

Main text. An innovative economy at the present stage is one of the highest priority areas of development for any state and provides the opportunity to increase the competitiveness of the national economy on the world stage. An important factor in this regard is the attraction of the necessary resources for the implementation of innovative development programs, in particular, the attraction of foreign direct investment to build an innovative type of economy. The relationship between investment and scientific and technological progress has several aspects. The most important of these is the consideration of investments as a kind of catalyst for scientific research, which is especially important in the conditions of the transformation of science into the direct productive power of society. In this regard, a model of financing economic growth based on innovation should be formed, creating the possibility of developing the real sector of the economy based on the latest achievements of scientific and technical progress and forming the optimal structure of social production [2, p. 271]. In this regard, it seems to us an important moment the country's ability to



mobilize not only its internal, but also external investment opportunities and resources. This can be ensured when in the Moldovan economy will be created favorable conditions for the functioning of investment capital from the point of view of taxation, protection of property rights and interests of all business partners, will be ensured political stability and an acceptable economic course. It should be said that investments in the innovative sector of the economy should be made both from above and from below. Namely, it is necessary to invest not only in the process of developing and introducing innovations in production activities. It is also important to pay attention to investing in the production itself, to carry out its technical and technological modernization, since with a primitive level of production and technology, even any breakthrough innovations are doomed to failure. Innovative activity is the engine of economic progress, a catalyst for economic growth and development. In modern conditions, on the forefront has come the factor of growth of efficiency of resources and entrepreneurship on the basis of R&D and innovation, which has led to the formation of concepts of the innovative type of economic growth. This type of growth, which developed countries have moved to, is based not on the production and consumption of material goods, but on the creation and consumption of information products, namely, high-tech products. This means that this type of growth is not related to the “input-output” problem and is determined by the degree of information consumption. The main sources of such economic growth are innovation and the accumulation of human capital [1, p. 352]. Therefore, FDI in innovative activity can be considered as one of the most important factors of economic growth in the Republic of Moldova, the formation of an innovative economy. To the set of measures, necessary for the formation of an innovation-type economy in a country can be attributed three fundamental events: a) increase in financing and R&D investment, improvement of their mechanisms; b) a more active use in practice of indirect methods of financial support for the innovation environment — tax incentives, customs preferences, targeted lending, leasing, state guarantees; c) the formation of innovative clusters with their subsequent targeted financing by the state and foreign investors. Thus, it should be noted that investment in innovation is very limited in the Republic of Moldova, which is a serious problem for the country’s economy. The insignificant scale of attracting foreign direct investment in the economy



of the Republic of Moldova is due to the general unfavorable investment climate - political instability, protracted crisis, incomplete process of economic restructuring, corruption, etc. Not the least role here is played by complex problems in the legal regulation of foreign investments, in particular, related to a certain discrepancy between domestic investment legislation and international legal norms.

However, in the sphere of implementing of the innovative development program on the path to creating an innovative economy, there are serious problems. Currently, the pace of modernization and innovation in the country is far from perfect and does not reach the required level. This is attested by many factors, the main of which are:

Small proportion of innovatively active enterprises;

Extremely low rates of innovative products;

There is practically no share of private research and development costs;

Low specific weight of innovative products in the total volume of shipped;

Insignificant amounts of costs for modernization and technological innovations, incommensurable with the real needs of the economy in expanding the range of fundamentally new competitive products, etc.

One of the main reasons for this situation is the low level of investment in innovation, which would allow for continuous updating of the technical and technological base of production, reduce costs, develop and produce new competitive products, and penetrate the global markets of goods and services. Therefore, no less important in the process of increasing investment activity in the Republic of Moldova is solving issues related to the development of competition.

At present, in the Republic of Moldova there is practically no comprehensive system of indicators of the competitive environment in the commodity markets. We need our own system for assessing the state of the competitive environment. This system will not only allow monitoring the effectiveness of the implementation of state competition policy, but also determine the reasons that impede the development of competition in commodity markets.

Does not meet the challenges of modernization and the existing sectoral structure of Moldovan small and medium-sized businesses, which is qualitatively behind the level of development of small and



medium-sized businesses in European countries, where the quantitative indicator and contribution of manufacturing companies is much higher and the non-trading sector of the economy dominates.

Thus, it is necessary to create such elements of the innovation system, increase state financing and attract foreign investment, which could adequately launch modernization processes and lead to the necessary structural changes and diversification of the economy.

To date, there are a number of negative trends that hinder innovative development and, as a consequence, the country's economic growth. Respectively, it is necessary to accelerate the process of integration of the national innovation system into the global one, increase innovation activity and the efficiency of companies, including state-owned ones. It is required an higher interaction between science and business to increase the level of commercialization of scientific developments to the level of developed OECD countries.

A number of other serious problems remain unresolved, the preservation of which can nullify the effectiveness of activities in terms of the country's innovative development. First of all, these are:

- high risks of doing business in Moldova (for example, in the ranking in the Doing Business rating report, Moldova takes only 81th place among 123 countries) [3];
- the presence of corruption and excessive administrative barriers, primarily for the development of small and medium-sized businesses, including innovation;
- disinterest of credit organizations in financing risky innovative business;
- lack of interconnections between elements of the innovation system, as well as the proper integration of education, science and business;
- underdevelopment of the intellectual property market, insufficient level of protection of intellectual property rights;
- low level of trust and effectiveness of public administration;
- insufficient level of predictability of the directions of development of state regulation and state policy, lack of timely and reliable official statistical information for making managerial decisions and adjusting state policy;
- limited effectiveness of public investment;
- insufficient human resources for the development of innovative sectors of the economy and the modernization of traditional industries etc.

In addition, it is worth noting a number of factors that impede



innovation at the organizational level, which can be the reasons for both the general innovative inaction of the organization and the containment or premature completion of specific innovative projects. These factors are classified as follows. Economic factors:

- lack of own funds;
- lack of financial support from the state;
- low solvent demand for new products;
- high cost of innovation;
- high economic risk;
- long payback periods for innovations.

Production factors:

- low innovative potential of the organization;
- lack of qualified personnel;
- lack of information on new technologies;
- lack of information on sales markets;
- insusceptibility of organizations to innovations;
- lack of opportunities for cooperation with other enterprises and scientific organizations.

Other factors:

- low demand from consumers for innovative products (services);
- insufficiency of legislative and regulatory documents regulating and stimulating innovative activity;
- uncertainty of the timing of the innovation process;
- underdevelopment of innovation infrastructure (intermediary information, legal, banking, other services);
- underdeveloped technology market.

The listed factors negatively affect the investment attractiveness of our country and the degree of its national competitiveness at the global level.

Thus, only a consistent solution of these problems will allow a fundamental step to be taken in the innovative development of Moldova. Respectively, it is necessary a transition from innovation as a “point-like” economic phenomenon to a predominantly innovative way of developing the economy as a whole.

Moreover, the main priorities of state policy in the field of economics and economic development should be:

- ensuring and maintaining the competitive capabilities of the Republic of Moldova;



- creation of a competitive knowledge economy and high technology;
- expansion of competitive advantages in traditional sectors of the economy;
- the transformation of innovation into a leading factor in economic growth in all sectors of the economy;
- modernization of traditional sectors of the economy (agricultural sector, processing industry), ensuring structural diversification;
- creation of conditions for freedom of enterprise and competition, development of self-regulation mechanisms of the business community;
- reducing administrative barriers in the economy, reducing corruption in the country, creating an effective institutional environment;
- the development of human potential as the main factor in economic growth; supporting business initiatives to participate in the development of the social sphere and human capital;
- creating a favorable investment climate and attracting foreign investment in the development of the country's innovation sphere.

Conclusion. The greatest effect in the implementation of priority areas of economic and social development can be achieved on the condition of innovativeness of the ongoing transformations. The scale and pace of innovation transformations directly depends on the degree of involvement and real participation in innovations of both the state and private business. But as domestic practice shows, the degree of activity of business participation in ongoing reforms is extremely low. In this regard, the state needs to promote the creation of such an environment for national business in which investing in innovation will be the main way to obtain high and steadily growing incomes.

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