



## **ROLE OF INNOVATION ACTIVITY IN THE ECONOMY**

### **PROBLEMS OF ENSURING INNOVATIVE ACTIVITY IN THE ECONOMY**

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<b>Received:</b> 24 <sup>th</sup> May 2023 <b>Accepted:</b> 20 <sup>th</sup> June 2023 <b>Published:</b> 24 <sup>th</sup> July 2023	This article analyzes the theoretical aspects of the country's economy to achieve innovative activity. In the context of globalization, it is necessary to ensure the innovative development of the economy by attracting more investment. Therefore, innovative economic growth can be achieved by further improving the country's investment climate, which is one of the most important and pressing issues of the national economy. It also shows the problems that arise in the process of ensuring innovative activity and directions for their solution

**Keywords:** innovation activity, globalization processes, national economy, modern market economy, economic growth, national innovation system, investment climate

#### **INTRODUCTION**

The current modern market economy should be based on scientific, scientific and technical and innovative activities that ensure the creation of new types of goods and products, services, technical and technological part and equipment. In a favorable investment environment, the application of new opportunities and mechanisms in the creation of innovations and their introduction in the sectors of the economy is of particular importance. The level of economic development of the country directly depends on the development of investment activities and the investment environment. It is important to create the necessary conditions for attracting foreign investment to the economy of the Republic. It is possible to invest in the economy of that state only if the country has economic, political, social and legal conditions. The attractiveness of the investment environment, together with the increase in the flow of foreign investments, considered an important factor in ensuring innovative activity in the economy.

At the initiative of our President Shavkat Mirziyoyev, the liberalization of the economy system, the creation of a favorable investment climate have become the most important areas of reform. It should be noted that the principled approaches in this regard increase the investment attractiveness of Uzbekistan and further expand the opportunities for direct investment. Today, special attention is paid to the introduction of legal mechanisms for the protection of foreign investors in our country, to give them favorable

benefits and preferences for their free operation, to further improve the investment climate in general. A number of laws adopted in this regard, regulatory legal acts are an important guideline in promoting the attraction of foreign investments, guaranteeing the protection of investors' rights.

The development strategy of New Uzbekistan for 2022-2026 sets out specific tasks for the development of technologies for the production of innovative products, which are reduced by up to 50 percent from their existing analogues in the districts being transformed into an innovation territory and create a value added of quality, 2-3 times higher than the cost of raw materials, including the implementation of a total.

The processes taking place in the world economy are creating such negative situations as an increase in the problem of public debt in a number of progressive countries, an exacerbation of the problem of unemployment at the international level. Countries are trying to maintain the stability of their economy during the global pandemic. This indicates the need to consistently continue the established policy in Uzbekistan. Today, in world practice, various sources of innovation of attracting financial funds have been identified. Uzbekistan has the opportunity to apply all the innovative methods identified in the world practice of attracting financial resources. The introduction of these methods will serve to financially support the consistent continuation of the policy pursued by our government.



## **THEMATIC LITERATURE ANALYSIS**

There are different views of economists on the chosen topic. For Example, V.I.Verandsky, A.Kozireva, V.Logacheva, V.M.Gaitsa, L.I.In their scientific research, Fedulova et al explain innovation economic growth mainly in relation to human capital and factor[2]. T.Danko and Z.Okrut" is a factor, a mechanism for creating a favorable investment climate and stimulating production, trade, scientific activity " [3]. A.N.Asaul and N.I.In pasya, however, " investision activities serve to increase capital. The innovation plan should reflect the information needed to plan investments. The network and territorial parameters of the Investision climate should also encourage innovation activities. They note that in modern socio-economic conditions there is an objective need for the innovation content of investments involved" [4]. F.S.According to tumusov, "investment capacity" is interpreted as an investment of resources consisting of part of the accumulated investment, which provides for the satisfaction of the material, financial and intellectual needs of the reproduction of investment, which has the opportunity to become a Real investision demand, manifested in the form of investition demand in the market of investments[5].

Foreign economists Jiyun Cao as well as Arijit Mukherjee have shown in their scientific research that foreign direct investment has been gaining an advantage in international trade in recent years. It has also been scientifically substantiated that due to the presence of trade unions, the labor market can stimulate its shortcomings for foreign direct investments and that the country serves to increase the attractiveness of Investiture[6]. Chinese economist Xiaolan Fu analyzes the impact of foreign investment on the growth and productivity of regional innovation potential in China. According to the results of the study, the overall regional innovation potential of foreign investments has a significant positive effect. But this effect depends on the absorption potential of the receiving region and the presence of factors that ensure innovation[7]. Also, D.Bell, Y.Schumpeter, F.Maxlup, E.Toffler, K.Errou have expressed their views on innovation economic growth[8].

There are also theoretical views of a number of economists in the economy of Uzbekistan. F.B.Shakirova, N.Rakhmatov, A.Mirzaev, M.The research of Amonboev and others emphasized the issues of development of innovative activities in the economy of Uzbekistan, directions and issues of innovation management of enterprise activities. But it is

innovation that has left out the issues of achieving economic growth[9]. It seems to us that now the issue of the wider application of innovations in the production process of the national economy, the achievement of innovative activity through investments, is more relevant. Because by further improving the country's investiture environment, innovation economic growth can be achieved.

## **RESEARCH METHODOLOGY**

In the introduction of this research work, it is envisaged to reveal the relevance of innovative activity, the essence of its reforms carried out in our country in this regard, and in the analysis of literature, to outline theoretical-scientific views on the role of innovation in ensuring economic development through investments. As part of the analysis, the role of investments in achieving innovation activity, further strengthening the innovative activities of the economy are carried out, the problems and shortcomings are identified in the discussion section, and practical recommendations on the quality of their solution are developed. Opinions have been expressed on the continuation of the investment and innovation policy in our country.

The implementation of the study used elements of a systematic approach, graphics, induction and deduction, analysis and synthesis, comparison and grouping methods. Statistics on investments and innovations carried out in our country are distinguished by the fact that they are obtained from official sources.

## **ANALYSIS AND RESULTS**

According to the Western principle, the solution of problems in society, such as poverty, social justice, human rights, climate change, is the first issue. The role of innovative ideas in addressing these issues is crucial. In the future, in the rapid development of the country's economy, it is required to implement innovative ideas aimed at solving these problems. Uzbekistan will thus be able to increase the innovative potential of the economy by attracting investments in the desire to join the ranks of innovative progressive states.

Uzbekistan is also currently focusing on foreign investment and innovation issues. In order to ensure the rapid innovation development of all sectors of the economy and the social sphere on the basis of advanced foreign experience, modern achievements of World Science, innovative ideas, developments and technologies, as a practical confirmation of the work in this regard, it can be noted that the Innovation Development Agency was established under the Ministry of Higher Education, Science and innovation



under the The fact that 2023 is a year of " human attention and quality education " is also a sign that the Republic of Uzbekistan has a special emphasis on the development of innovation. Because, in 2022, 8 billion dollars of foreign direct investment entered our economy, while our exports reached 19 billion dollars. Such large results were not before[10].

Innovative activities, which provide a high level of competitiveness in the current conditions, will become the basis of the rapid sustainable development of the economic system. The innovation system makes it possible to increase the intensity of economic development of the country due to the use of effective mechanisms for obtaining, conducting and using the results of research and innovation activities in economic practice. An assessment of a country's economic potential can be made based on its innovational potential or innovational capacity. Innovation opportunities include:

- innovation possibility of production
- network innovation opportunity
- people's chance to innovate
- innovation opportunity of the territory
- enterprise innovation opportunity
- innovation opportunity of science

First of all, innovation capacity should be formed in connection with the transition of countries to an innovative economy. This will certainly set the stage for the application of scientific research results in practice. Of course it takes a certain period, years to create an innovation product or a brand. Because, at the beginning of the product, such as the emergence of an idea, fundamental research, applied research, design and experimental–technological developments, experimental copying, industrial Testing, Orientation to production, its sale, income from it. As we can see, it turns out that to create an innovational product, it is necessary to go through certain stages. Innovation is the basis for the creation of products or goods–scientific technical developments and their results, that is, R & D and experimental design developments (ITTKI). It can be concluded by looking at the funds allocated by the countries to find out to what extent the financing of these activities is.

- ✓ To form an innovative economy, it is necessary to have the following indicators:
- ✓ high index of economic freedom;
- ✓ high level of development of education and science;
- ✓ the arrival of the economy in accordance with 4-6 technological injections;
- ✓ high competitive living (life) quality;

- ✓ high quality and value of human capital;
- ✓ high level of competitiveness of the economy;
- ✓ innovation is 60-80% of the share of enterprises and products of the industry;
- ✓ low inflation rate (up to 3 percent);
- ✓ development of the knowledge industry;
- ✓ cozy entrepreneurial climate;
- ✓ diversified economy;
- ✓ creation of innovator personnel training system;
- ✓ attractive investment climate;
- ✓ advanced, state-supported venture financing system;
- ✓ economic stability;
- ✓ development of fundamental sciences, etc.

Innovation activity financing is the use of monetary funds aimed at the design, research and organization of the production process of new types of products, the creation and implementation of developments and organizational processes, new types of techniques and technologies, work and services, as well as new forms and styles of management. By creating a rational system of financing innovative activities, opportunities arise to concentrate financial resources and direct them to priority areas of innovative processes.

The mechanism for financing innovational processes serves as a regulatory framework for the investment resource allocation and the transition of the economy to the innovation direction. As an integral part of innovative processes, the mechanism of their financing is constantly implemented. They are carried out divided into two components. Firstly, the traditional functions of the process: investiture, analytical, regulatory, consolidation and control; secondly, special knowledge that reflects the requirements for the activation of intellectual capital in a specific way.

The mechanism of financial support for innovation processes has two bases in terms of structure:

- ✚ functional-innovative activity financing system, reflecting the forms of movement of financial resources in the process of meeting the investment needs of innovative entities-is innovation financing in a narrow sense;
- ✚ it is a form of institutional, investment and information flows on mobility models, in which the system of financing innovative activities manifests itself as a means of innovative processes and relations of the economy, a state leader in the formation of investment resources, regulation of their use, support of



the normative, legal and information and analytical system.

This broadly refers to the process of innovation funding.

Uzbekistan pays special attention to the development of the innovation industry. The level of development of scientific and technical personnel is the most important indicator of the innovation development of the country. As of January 1, 2022, the number of researchers-specialists who have completed scientific research and development in the country was 30,300. According to the State Statistics Committee, the number of researchers-specialists who performed scientific research and experimental development in the Fields was recorded in the direction of the most natural sciences-9.3 thousand people.

Next to it were the social sciences and technical sciences, where the number of researchers-specialists who performed scientific research and experimental design work amounted to 5.8 thousand people and 4.8 thousand people, respectively.

This indicator received the following appearance on the remaining routes:

Medical Sciences - 4.6 thousand people;  
humanities - 4.4 thousand people;  
agricultural science-1.4 thousand people.

Lokomotives, which grow the economy of the Republic of Uzbekistan innovatively, have a huge production and technical potential, qualified personnel work here, the bulk of export products are produced in them, and they have good conditions for the development of the production of imported substitutes. Among them are the National Holding Company "Uzbekneftegaz", JSC "Navoi mining and Metallurgical Combine", JSC "Olmalik mining and Metallurgical Combine", JSC "Uzbekistan Railways", JSC "Uzbekistan Airlines", JSC "Uzavtosanoat", JSC "Uzkimyosanoat", JSC "Uzbekenergo" and other such large corporate enterprises. But it should also be noted that most fundamental research is not being introduced into production on time, it is not relevant.

The experience of highly progressive countries (Canada, China, South Korea, Singapore) has shown that the state focuses on the formation of investment policies and the implementation of large-scale national, sectoral and territorial innovation projects to create effective mechanisms that financially support the most basic enterprises in the national economy.

Switching to an innovative economy, it is natural that ensuring innovative activity is not necessarily easy. Because it is known from history that the progressive countries of the world have also taken

a long and arduous path in this regard. As we also follow this path, it will be necessary to overcome some of the possible shortcomings, difficulties, including the lack of financial tools, the scarcity of qualified innovators and vechurist personnel, the lack of information about new technology and technology, the narrowness of the Innovation Products Market, the high cost of introducing innovation, the complete unwillingness of enterprises to switch to an innovation system.

### **DISCUSSION OF RESEARCH RESULTS**

Analysis of the above practical statistical indicators shows that the development of innovation capacity and innovation activity is at a low level. The current financing of research and design work does not provide the necessary large growth of scientific and technical developments.

For example, Science in the country is limited by funding volumes. Funding for R & D in the Republic was US \$ 70.7 million in 2017. (In Sweden-US \$ 16.2 billion, in Russia-US \$ 39.9 billion, in the USA-US \$ 599 billion). Our analysis showed that in the growth of the share of expenses for research and design work, its share in the volume of GDP remained unchanged-that is, 0.2 percent. This value cannot be called sufficient, since this value is much lower than in many countries of the world (2-3 percent in the world). In doing so, UNESCO recommends developing countries to bring the costs for research and development work to 1 percent of GDP.

The level of enterprises that have introduced innovations is much less in the country than the world's estimates-0.34 percent (the world average is 40 percent). Difficulties in the commercialization of new technologies are associated with a developed system of technology transfer, an appropriate regulatory framework and poor experience in science and production cooperation.

Mechanisms for attracting investments in innovation developments have not yet been improved. In world practice, business incubators, technoparks, technology transfer agencies are the most effective mechanisms. In the Republic, these mechanisms practically do not exist, or are not fully established.

It follows that in the field of research and development, it is established to increase the share of innovational products (goods, works and services) in the total volume of products sold (goods, works and services) to 7% in 2023, 9 in 2024, 10 in 2025, 15 in 2027 and 20 in 2030.

In the volume of innovation products (goods, works and services) in the field of research and





development, innovation has set the task of increasing the share of New Sales markets of goods, works and services to 8% in 2023, 9 in 2024, 10 in 2025, 12 in 2027 and 15 in 2030, respectively.

In our opinion, due to the above, it is necessary to take the necessary measures to ensure the transition to an innovative economy and innovation activity. That is, in order to improve the position in the Global Innovation Index, the processes of cooperation with international organizations that create an index, studying the methodology for calculating index indicators in Uzbekistan, develop mechanisms and inform them. First of all, attention will be paid to improving the situation on indicators that previously did not contain data in the index, and Uzbekistan occupied low positions.

## CONCLUSIONS AND SUGGESTIONS

Thus, innovation activity and activity should reflect a balanced system of innovative entrepreneurship regulation and support activities, developed on the basis of specific goals, principles, various methods, mechanisms and specialized institutions. At the time of the formation of a market economy, the intervention of the state in the activities of innovative entrepreneurial structures should be strong, strict, large-scale, according to the implementation of market reforms it will gradually liberalize. When creating an innovation activity infrastructure by the state, the priority should be the solution of the following tasks:

- ✚ creation of organizational and economic mechanisms for increasing the "high demand" of innovations by domestic production, ensuring the rapid development of fundamental Sciences, important applied research and development;
- ✚ improving the regulatory framework of scientific, scientific, technical and innovative activities;
- ✚ adaptation of scientific and technical complexes to the conditions of the market economy, ensuring the interconnection of public and private capital for the purposes of the development of Science, Technology and technology;
- ✚ creation of measures to directly and indirectly stimulate scientific, scientific, scientific and technical and innovative activities in the implementation of rational harmony of state regulatory and market mechanisms, priorities

for the development of Science, Technology and techniques;

- ✚ perfection of the system of training of highly qualified scientific and engineering personnel in the field of Science and technology;
- ✚ strengthening the research sector of the Higher School.

In conclusion, we believe that due to the fact that the current economic literature does not have a single approach to the concept of innovation financing and is not sufficiently covered, it is necessary to research and develop theoretical and methodological developments in accordance with the interests of our country, the main directions and infrastructures of state policy, its mechanisms, essence and economic content, objects are necessary.

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