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Innovative Activity Funding : Analysis of Practice in Uzbekistan

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Abstract

Innovation are considered as factor of economic growth not only of individual enterprises, but also a national economy as a whole. That is why countries have a great focus on financial supporting and promoting innovations. Insufficient support of innovation causes low return on scientific research and less economic effect from Research and Development (R&D). Therefore funding is indispensable condition to create new products by innovative ideas.

The present study focuses on studying the features of innovative activity funding in the current global scenario, identifying the world leaders and trends in innovative activity funding.Uzbekistan's experience in this area was selected for the empirical study. By analyzing the main source of funds and the factors which promote development of innovation activity was identified impact of some factors on change in scientific and technical output.

I. Introduction

IN THE PAST FEW decades the role of the human capital, science and knowledge as factors of economic growth steadily increased in the world economy. Countries are getting on the path to innovative development and they are not only the developed countries. Many developing economies, for example, China, India, Singapore, the countries of Central and Eastern Europe demonstrate impressionable results of innovative activity. Year in, year out they are increasing expenditure on R&D to achieve sustainable economic growth.

According to The Global Competitiveness Report 2015-2016, 38 out of 140 countries of the world are at the innovation-driven stage. They are European countries (26 countries), the USA, Canada, Japan, the Republic of Korea, Singapore, Australia, Hong-Kong, Taiwan, etc. 20 countries of the world are on the way to transition to innovation-driven stage (countries of Latin America, South-Eastern Europe, Malaysia, Russia, Turkey, Oman).

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NIS in the long term depends on participation of various classes of institutional investors. Transformation of public fund to venture type fund would considerable diversify sources for financing of applied research and innovative development in Uzbekistan. Such type of a public-private partnership had been successfully realized in such countries as Israel, Sweden, Russia, Kazakhstan, Latvia, etc.

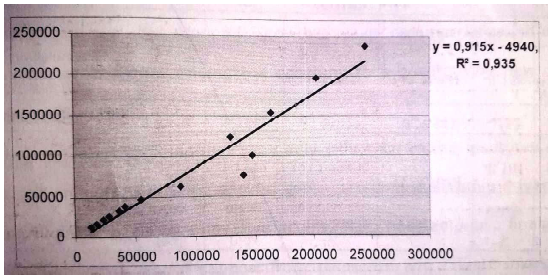

Figure 2
Regression relationship between scientific and technical production and Gross Domestic Expenditure on R&D in Uzbekistan

VII. Conclusion

Innovation activity funding in the world economy does not pursue the aim only to increase the competitiveness of national economies or particular companies, but also to ensure a stable economic growth through commercialization of scientific achievements and encouraging the economy to a qualitatively new innovative development stage.

On the innovative development way only existence of the institutes engaged in R&D isn't enough to achieve desired goal-creating innovative-driven economy. Strong financial basis of innovative activity has, besides public financing, to be replenished with financial support from corporate and private investors whose activity directly depends on timely introduction of innovative elements to production processes.

Thus, fostering innovations in Uzbekistan through institutional approach is not fully justified, since it is not only about the quantity of R&D sponsoring institutions. More effective way of boosting innovation-driven economy might be conditioned by the volume of funds and diversification of finance sources. It seems possible when public and private sectors would engage in partnership and create venture capital funds. By use of such funds there can be built new research institutes whose successful operation would depend on permanent funding by capital which could enjoy tax benefits as well.

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