

THE ROLE OF INNOVATION IN ECONOMIC DEVELOPMENT

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Annotation

In this article, innovation is becoming one of the most characteristic features of economic development and is analyzed as a factor accelerating the development of the market. There are also suggestions and recommendations on how to achieve the rapid development of entrepreneurship in the modern world through the widespread use of innovation.

Keywords: Innovation, capital, innovation process, factors of production, innovative entrepreneurship.

Currently, innovation is becoming one of the most characteristic features of economic development. Not long ago, this name reminded of something exotic, unknown and not very clear even among professionals, but now the innovation itself and its concepts are rapidly conquering the world. The international capital market, which plays a significant role in the innovation process and turns innovation into a strategic resource for enterprises, is expanding, and new financial structures are helping it in this regard.

The experience of developed countries shows that innovation is often hindered by people's direct negative attitudes and attitudes. However, a paradoxical situation is developing in Uzbekistan, that is, the whole society expresses positive attitude and support to innovative processes.

In particular, it is reflected in many normative legal documents adopted in Uzbekistan and bills widely discussed in social networks. The Law of the Republic of Uzbekistan of July 27, 2020 on innovative activity, the Law of the Republic of Uzbekistan "On Science and Scientific Activity", the Decree of the President of the Republic of Uzbekistan of January 22, 2018 "On the Republic of Uzbekistan in 2017-2021 Presidential Decree on the State Program for the Implementation of the Strategy of Actions in the Five Priority Areas of Development in the Year of Supporting Active Entrepreneurship, Innovative Ideas and Technologies, by the President of the Republic of Uzbekistan Decree No. PF-5975 dated March 26, 2020, "On measures to fundamentally update the state policy on economic development and poverty reduction", "Organization of the Ministry of Economic Development and Poverty Alleviation of the Republic of Uzbekistan and its system organizations" on" No. PQ-4653 of March 26, 2020, "Improving the system of attracting the population to entrepreneurship and developing entrepreneurship r on additional measures" Resolution No. PQ-4862 dated October 13, 2020, "On effective organization of the activities of the entrepreneurship development agency under the Ministry of Economic Development and Poverty Alleviation of the Republic of Uzbekistan Among them are normative documents such as the decision of the Cabinet of Ministers of the Republic of Uzbekistan on February 17, 2021. The purpose of adopting these documents is to develop business

activities, to create favorable conditions for the creation and development of new entrepreneurs, to help increase the potential and efficiency of the innovation system, and to create a regulatory, financial and informational environment favorable for innovation. It is also to increase competitiveness and productivity in the industry, to encourage the increase of the share of high-tech products, to increase production and to increase the share in the structure of production and export, to expand the use of innovative technologies and advanced management.

The aim of the research work is to help increase the potential and efficiency of the system through the innovative development of the economy and the creation of new entrepreneurs. The tasks of the research are researching the stages of increasing competitiveness and productivity in the industry and justifying its specific features; to stimulate the increase in the share of high-tech products, to increase production and increase the share in the structure of production and export, to identify the factors affecting the expansion of the use of innovative technologies and advanced management.

Analysis of Literature on the Topic

According to some authors, there is both a traditional economy and a new economy developing on a different basis. In our opinion, it is appropriate to use the positive aspects of both of these models without opposing them, because it shows that the new one is gradually developing at the base of the traditional economy. Indeed, it is true that innovation has become a factor of production in the modern world. It is known that traditionally there are three factors of production: land, labor and capital. They were first analyzed by J. B. Say.¹ Currently, these factors usually include the ability of entrepreneurs and, according to some authors, the information factor, thus emphasizing the role of information in economic development. In our opinion, it is more correct to replace the opportunities of entrepreneurs with innovations or to connect both new factors with traditional factors. Currently, by studying the factors of production, the analysis is carried out more deeply and each factor is broken down. Land or natural factors are factors that do not provide long-term competitive advantages when used as the basis of entrepreneurship. In addition, many types of natural resources are non-renewable and can be exhausted after some time. On the other hand, the innovative factor is practically inexhaustible and it creates innovations that can be introduced into production; their expansion can ensure long-term competitiveness, because it is currently based on new, especially developed factors.

In fact, such a point of view cannot be called "absolutely new". Analyzing the factors of production mentioned above, "Say" emphasizes the role of the entrepreneur, because he coordinates the following factors of production: land, capital and labor, as well as the labor factor, which he used very widely, including not only labor, but also took into account scientific conclusions and knowledge necessary for product production and organization of production.

English scientist G. A. Hobson expressed this idea more vividly and included creative abilities in production factors². Analyzing the part of the economic system where new products appear, new

¹ Гужин А.А., Гужина Г.Н. Материальные интересы в системе экономического роста// Московское научное обозрение

² Гужин А.А., Гужина Г.Н. Материальные интересы в системе экономического роста// Московское научное обозрение

markets appear, and new technologies are introduced, he called it the "progressive production sector". Now we call it the innovation economy.

Of course, in the process of studying such a phenomenon as innovation, one should not forget the names of two scientists, that is, N. Kondratiev and the Austrian J. A. Schumpeter. It was Schumpeter who first defined the concept of innovation in his "Theory of Economic Development" study³. He interpreted innovation as a scientific and organizational combination of existing production factors aimed at solving commercial problems. Schumpeter directly noticed the source of development of economic systems in innovations. Because specific content innovation is change, they point out five typical changes:

1. Provision of new technologies, new technological processes or new production markets;
2. Introduction of products with new features;
3. Use of new raw materials;
4. Changes in productive organization and material and technical support of production;
5. Emergence of new markets.

In addition, he used the concept of innovation and interpreted it as a change, the purpose of which is to introduce and use new types of consumer goods, new production and means of transport in the form of new production organization.

Not all inventions become innovations. Innovations are inventions that bring profit and satisfy market demand. In other words, thanks to science, an idea that can be implemented appears, and the next step is the commercialization of this idea, which turns the invention into an innovation, which brings income. It says: If science is the process of turning money into knowledge, innovation is the process of turning knowledge into money with added value. Kondratiev justified the idea that economic cycles (waves) have different lengths: long - 48-55 years, medium - 7-11 years and short - 3-3.5 years. His most important contribution is related to the study of long waves. To substantiate his theory, he analyzed a large amount of factual material covering the four most developed countries - Great Britain, France, Germany and the United States. The studies conducted were related to the dynamics of prices, interest rates, wages, foreign trade volume and the dynamics of basic industrial goods. The time period under analysis was extended to 140 years. Research has confirmed the existence of long waves and science, its discoveries, the uneven development of science and technology, innovations, etc. have been noted as one of the reasons (Kondratiev N. (1925))⁴. Kondratiev discovered empirical patterns associated with long waves. Before the development of the wave and at its beginning, deep changes occur in the economic life of society associated with important changes in technology (important technological discoveries and inventions took place). He considered scientific and technical innovations to be the main factor. Innovation creates excitement by changing the economic environment from its trend to an upward trend. Kondratiev also showed that innovations are unevenly distributed over time. They appear in groups or, in modern language, clusters. Therefore, in the study of Kondratiev, we can find one of the first examples of the use of the cluster approach. Currently, Kondratiev's recommendations can be used in the development of innovative

³ Иванов М.А., Гужина Г.Н. Особенности управления рисками в рыночных условиях//Вестник Российского государственного аграрного заочного университета.

⁴ Назаршоев Н.М., Гужина Г.Н., Гужин А.А., Ежкова В.Г. Стратегия развития бизнеса как инструмент управления конкурентоспособностью// Инновации и инвестиции

strategies.[4] The role of technological cycles is manifested in the development of the economy and society, which, on the one hand, increases the mass of capital production, and also increases its technological level. On the other hand, the skill level of the workforce and management will increase due to improved education and skills. Over time, with the achievement of a high technological level of production, the innovative characteristics of the labor force are the characteristics that grow the fastest, because the skilled labor force not only absorbs new technologies faster and uses them more efficiently, but also creates these technologies in production.

Schumpeter J.A. in his work "Business Cycles" (1939) he combined N. Kondratiev's long wave theory with his theory of innovation, and as a result developed the initial cyclical theory of development⁵. In his opinion, the cyclical development of the economy is mainly related to the internal mechanism of the system and it is an innovative process.

Research Methodology

The article uses methods of scientific abstraction, analysis and synthesis, induction and deduction. The information of this research was obtained from official sources, and the study of innovative entrepreneurship was achieved based on the comparative analysis of the scientific-theoretical views of well-known economists on the role of innovations in the development of the economy, the generalization of foreign experiences and the results obtained on the achievements made in our country.

Analysis and Results

If we compare the innovative processes in our country with the situation in developed countries, now the developed countries of the world have been under the influence of the innovative economy and the fifth technological cycle (long wave) for more than 15 years. What should countries do that are only able to enter the fifth wave, and even beyond?

Will they reach these countries first of all by starting their scientific research in new high-tech directions? Apparently, this is very problematic. However, this is an obstacle for these countries, especially in our country, to use the technologies created by other countries and to use them in the development of their economy, to try to surpass the developed countries by creating as many conditions as possible for foreign investments to enter the country. does not Some time ago, this experiment was carried out in Japan, South Korea and other countries. In fact, the opportunities provided by innovation and the positive aspects of globalization were first of all captured by South-East Asian countries (often called "tigers"), such as South Korea, Taiwan, Hong Kong, Singapore, as well as the Celts. The "tiger" is Ireland, one of the leaders in the field of innovation. These countries can serve as a paradigm for Uzbekistan, because our country, with its small market, poor traditional resources, can only develop successfully if it chooses an innovative path using its competitive unique non-traditional resources.

The competitiveness of the country develops on the basis of the competitiveness of individual enterprises. Every business uses its own strategy to achieve competitive advantage. However, the evolution and development of successful companies will be similar in nature as companies create

⁵ Назаршоев Н.М., Гужина Г.Н., Гужин А.А., Ежкова В.Г. Стратегия развития бизнеса как инструмент управления конкурентоспособностью// Инновации и инвестиции

competitive advantages based on innovation. The reason for the weakness of innovative processes in the enterprises of our country is the influence of the following factors: The competitiveness of the country develops on the basis of the competitiveness of individual enterprises. Every business uses its own strategy to achieve competitive advantage. However, the evolution and development of successful companies will be similar in nature as companies create competitive advantages based on innovation. The reason for the weakness of innovative processes in the enterprises of our country is due to the influence of the following factors:

- the small number of scientists working in industry, as well as the low percentage of scientists and researchers in the workforce;
- not to enter the field of high technology patenting;
- weak cooperation between the production sector and universities;
- relative failure of innovation promotion and activity of entrepreneurship support mechanisms;
- complex procedures for starting a business; insufficient quality of technological education.

It is also worth noting the concept of the so-called "European innovation paradox" from the world experience - on the one hand, when assessing the share of investments in education and science in the GDP, as well as the percentage of highly educated people in the population in most countries of the European Union, the USA or even better than Japan. Europe also surpasses them in terms of indicators of scientific potential (for example, the number of Nobel laureates, SCI publications, number of scientists with doctoral degrees). Nevertheless, the productivity of the economy in the European Union is twice as low as that of the United States, and its trade balance with the United States is negative. Students from different parts of the world are trying to study in higher educational institutions of the USA. The United States itself is a very successful country in the use of innovation, commercializing knowledge created not only in its own country, but also around the world. The best specialists in the field of higher education and research (project managers, researchers, highly educated technology specialists) move to the USA. Europe is betting on training in US companies and education in higher education institutions. According to these and similar facts, the term "European innovation paradox" also appeared. From the above, we can conclude that innovation is the main driving force. Thus, innovation provides an opportunity to develop a competitive economy. In recent years, not only economists, but also politicians have understood this. In order to achieve the main goals, it is necessary to allocate 3% of the gross domestic product to research and development, increase the employment rate to 70%, reduce bureaucracy, eliminate corruption, and encourage entrepreneurship. If these problems are solved, our country's economy will achieve great success in innovative development. It is envisaged to allocate funds from state budgets for scientific research and innovation and increase the volume of its provision. In particular, three main directions are given priority:

- investment in education and formation and increase of intellectual property;
- strengthening competitiveness in industry and service sector;
- establishment of monocenters in the labor market.

It can be seen that in all the cases mentioned above, increasing competitiveness is related to innovation. It is necessary to create a coordinated and common space for conducting research and expanding knowledge for effective exchange of knowledge between countries and individual

enterprises. It is not only about supporting research and development of technologies and protection of intellectual property rights, but also about ensuring the spread and diffusion of innovations, because where innovations are introduced, the results are as expected.

Conclusions and Suggestions

In conclusion, in modern enterprises engaged in innovative entrepreneurship and using foreign experience in the production process, innovations were introduced, wages increased by 2-3 times, productivity increased by 2 times compared to traditional enterprises, especially the fact that the quality of life and well-being of working employees is ensured compared to before, shows the positive aspects of today's innovative economic reforms. But along with the progress being made, there are also problems to be solved. In particular:

- that our entrepreneurs do not have sufficient skills in business management;
- inability of employees to quickly absorb news;
- they cannot adequately assess internal and external risks, the need for innovation, and their position in the world market;
- not enough attention is paid to the development of enterprises, increase of competitiveness;
- there are many problems in the organization of the business environment and the development of the innovation promotion structure.

We consider the following proposals and recommendations to be appropriate in solving these problems:

- the role of private business in the process of funding scientific research should be increased, which will give an incentive to increase the efficiency of investments in research and development;
- it is necessary to increase the level of investments necessary for innovation and strengthen competition;
- It is necessary to support the marketing search system for developments, which is the main element of stimulating innovation and foreign patenting of scientific developments created in Uzbekistan.

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