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FINANCIAL ASPECTS OF INNOVATION IN LOCAL

Abstract. The article highlighted the basic problem of financing innovation development in Ukraine and discussed the types of financial resources that can promote innovation, and give reasons for lack of budget funding. Due to limited budgetary innovative development at the local level, to review the functions of local authorities and the proposed indirect methods of influence on the process of financing innovation.

Keywords: funding, innovation, innovative development, local authorities

Introduction. One of the main conditions for activation of innovative development at local level is its proper financial support. Today's situation in Ukraine's financial sector is characterized by lack of long-term strategy of innovative development, lack of financial resources, backwardness of the capital market and, consequently, reduced ability to use a larger number of possible sources of financing innovation. All these negative effects reduce the potential of regions to implement innovative projects and impede the further development of innovation not only regions, but in the whole country.

Because of special relevance to the issues of financing innovation of development due to various external sources with the increase in this process the role of local authorities. Financial issues finds innovative development reflects the research resentation in domestic and foreign scholars, prominent of which is the study of forms and methods of financing innovation, defined inter relationship between innovation activities and regional development. However, still many issues that require further and further study of which is

uncertain role of local authorities and not enough depth, second round rozrobenist organiza
-economic mechanisms of financing innovation process at local levels by governments.

The purpose of the article was the definition of the main sources of financing of innovation, their prospects in the innovative use of local development with regard to the role of local authorities.

1. Innovative development of the region leads to the growth of local economy and also achieves the goals of regional development through strategic change. You can note the following patterns of innovation at the local level:

- increase the innovation potential of the region;
- innovations are focused, ensuring economic growth;
- practical implementation of innovation policy in the region is reflected in the socio-economic and investment policies;
- innovation policy implies continuity of development and constant improvement.

Innovation process at the local level is characterized by the proper use of the region's potential and its development to achieve socio-economic impact.

In the formation of regional innovation policies are the conditions without which there can be formed by local innovation development. These include:

- clear separation of functions between central authorities and regional bodies;
- relative autonomy of the regions in the area of financial, economic and social as well as to use their own potential;
- availability of the economic base of regions that could produce in sufficient volumes of products and services;
- the availability of legal terms;
- implementation of the regional socio-economic policy that promotes entrepreneurial activity and market infrastructure, social protection.

Local authorities are designed to provide special support innovations that enable social and economic stability in the region, but further innovative development without serious financial investment, which, as the experience of many countries, is the most profitable type of investment.

The main sources of financing of innovation processes, in accordance with international practice, called to consider:

1. own funds (profit and depreciation) - to increase profits by raising the exercise price for their products, but increasing the prices, enterprises are faced with limited demand,

leading to problems with the implementation of production and, consequently, to a decline in production, so the authorities shall take appropriate measures to facilitate the formation of the necessary financial resources for innovative development by establishing incentives for taxation of business profits, which are driving innovation. Inflation in the country, causing impairment of own funds, accumulated depreciation and amortization expense, so you need to reassess the value of fixed assets and depreciation charges in proportion to their rate of inflation that would increase their sources of funding for innovation.

2. bank resources - the most common source of financing innovation in most countries. The basic use of resources of Ukrainian banks - lending that is not always an effective form of financing innovation, but with proper costing of the loan may be justified. In addition, commercial banks prefer not to give loans to investment risk, innovative projects with long payback periods and implementation.

3. individual investors, often they do not possess enough financial resources that can only finance small innovative projects.

4. Foreign investors can play a significant role in the innovative development of the regions in the form of direct investment in priority areas of regional economy.

5. investment funds required, usually over a long time to consider innovative projects and set strict rules and restrictions on the forms and amounts of funding.

6. budgetary funding - funding sources are state and local budgets, which unfortunately do not have enough resources to finance. The sharp increase in budget deficits at all levels cannot rely on innovative solutions for the expense of centralized funding. Therefore, in this case is an irreversible transition from budget financing to the budget lending with strict control over the use of concessional loans by the Treasury budget execution on the one hand, and budgeting of the other. Budgetary investments directed to implement a limited number of regional innovation programs, facilities and support effective innovation infrastructure.

7. Venture capital - a long-term, risk capital that is embedded in new and rapidly growing company in order to obtain higher profits. Venture capital is usually appreciates its funding, wanting to get maximum profits with minimum costs, so use it, in that risk projects where no other investments available. In respect of the owners of the venture capital put forward the following demands to the companies:

- should have a professional management team that implemented innovative projects;

- management should provide all, even confidential information about activities on demand;

- must have some unique features, such as the use of unique technologies or patents;

- growth potential company should be greater than the risk associated with investing in this venture.

Evaluating the effectiveness of various sources of financing innovation must always take into account regional interests, which will fully develop the economy, prevent imbalances and inter fully meet the needs of the population.

In determining the effectiveness of financing innovation is necessary to consider not only economic but also social effects. Although the economic factor (the payback period, ROI) is ultimately the main criterion of efficiency, this factor is not sufficient in terms of impact on socio-economic development of the region. Therefore, innovative projects to be reflected the following key social outcomes:

- change the number of jobs in the region;

- improvement of living and cultural conditions of the population;

- improving the health of the region;

- increasing incomes.

Indicators of fiscal performance innovations that primarily affect the level of socio-economic development and strengthen the financial base of local budgets, the results reflect the impact of innovation on revenue and expenditure budgeting. Therefore, the budgetary financing of innovation is the main indicator to justify financial support from the local budget.

Analysis of statistical data presented in Table . 1 shows that the structure of financing of innovative activity in Ukraine in recent years constitute the largest share their own funds, that is oriented to own options. From 2006 to 2008 share of financing personal funds reduces the overall level of funding for innovation. In recent years, has increased the share of other funding sources. Total funding of innovation in industry tend to rise and the last 8 years increased from 11 994 to 1757.1 million., Almost 5 times. For budgetary financing, the trend increase in funding from the state budget financing and fluctuations in the local budgets. But the share of budget funding is very small - from 2,8% of state budget and 0.1% of the local in 2008 local.

The main factors that hinder the development of financing innovation in the regions of Ukraine are:

- high risk of long-term innovation projects

- instability legislation entrepreneurial, innovative and tax areas;
- lack of demand for R- &D;
- low prestige of engineering and scientific research;
- lack the necessary innovation infrastructure;
- lack of long-term funds and their high cost
- undeveloped stock market;
- adverse \rightarrow friendlier investment climate.

By further strengthening the development of innovative financing can be divided into three groups:

- 1) to encourage innovation, this atten \rightarrow foot climate,
- 2) intensification of investment activity of the population, banking and non-banking sector revitalization of the stock market),
- 3) improve financing innovation through the active participation of governments.

Thus, the best available sources of funding for innovative development of enterprises of the region remain their own funds (profit and depreciation) and debt capital (investment financing) are becoming more common financing through borrowings (loans and venture capital) and the combined financing.

According to government funding of innovation should be solved complex problems of modern local level:

- Economic, associated with the production of highly competitive products;
- Environmental, guaranteeing cleaner environment;
- Technological, associated with the use of low-high, bezvidhidnyh technologies that ensure the production of new generations of high quality and consumer demand;
- Social, related to creation of new jobs and increase incomes in the region.

2. Applied research is provided, mainly at the expense of stakeholders with the support of local authorities, while more research-oriented market, the less should be part of budget financing.

The factors that have most significant influence on the financial recursive region to finance innovations are: the level of regional economic development and specialization of its economic activities, the activities of financial institutions in the region, the level of small business development, formation mechanism and implementation of financial policies at the regional level.

Tab. 1 - Distribution of funding innovation in the industry of Ukraine

	2000 pik		2005 pik		2006 pik		2007 pik		2008 pik	
	million, grn.	% Of total	million, grn.	% Of total	million, grn.	% Of total	million, grn.	% Of total	million, grn.	% Of total
Total, including by	1757,1	100	5751,6	100	6160	100	10821	100	11994	100
Budget	7,7	0,4	28,1	0,5	114,4	1,9	144,8	1,3	336,9	2,8
Local budgets	1,8	0,1	14,9	0,3	14	0,2	7,3	0,1	15,8	0,1
own funds	1399,3	79,6	5045,4	87,7	5211,4	84,6	7969,7	73,7	7264	60,6
investor funds										
home	49,4	2,8	79,6	1,4	26,3	0,4	26,2	0,2	169,5	1,4
foreign countries	133,1	7,6	157,9	2,7	176,2	2,9	321,8	3	115,4	1
other sources	165,8	9,5	425,7	7,4	617,7	10	2351,2	21,7	4092,6	34,1

Given the long-term financial support innovative development, a major source of funding could be bank loans, venture capital funds and local budgets and other significant source of funding may also be income tax and savings deposits.

Due to the fact that local budgets, lack of funding for innovative projects, in our opinion, the local authorities to enhance innovation and further development of the region need to regulate innovation processes both directly, by initiating and addressing attachment member, and indirectly, stimulating indirect methods and creating the appropriate economic mechanisms. The value of indirect methods to support innovation is determined by requiring a much smaller budget expenditure in comparison with the direct funding, and they can be covered much more innovative range of subjects. Even with minimal budgetary resources sustainably regional program to stimulate innovations can greatly improve the socio-economic development of the territory.

Therefore, you can select the following functions of local authorities for the regulation of innovation, which are determined by economic and social role of local finance in modern society:

1. Accumulation of funds for scientific research and innovation. The necessary concentration of resources can be achieved both by generic mechanisms for redistribution through the budget, and due to the formation of special funds. You may also like to concentrate financial resources and necessary for innovation intellectual, material and technical resources.

2. Coordination of innovation. Before local authorities raised a problem of definition of overall strategic goals of innovation processes.

3. Promoting innovation. The central place occupied by encouraging competition, and various financial subsidies and incentives, and innovative insurance risks.

4. Create a framework of innovation processes, namely the real innovation of the existing mechanisms that provide the general rules.

5. Building innovation infrastructure, local authorities should facilitate obtaining legal, financial, marketing and other services to enterprises, which are driving innovation.

7. The institutional support of innovative processes through creation of municipal organizations and units that perform R & D and innovation for implementation in the public sector and coordinate the process of innovation.

8. Regulation of social and environmental focus by providing innovative, first of all, support innovation, aimed at improving social and environmental sustainability of the territory, preventing negative impacts of scientific and technological progress.

9. Promoting scientific and technological achievements and innovations.

Improve the financial mechanism of innovation should provide financial, credit, tax and customs privileges and leasing entities; permit accelerated depreciation of fixed assets; targeted subsidies to consumers of innovative products, increase budgetary allocations in the innovation sector, providing guarantees to banks that provide loans for innovation, creation of appropriate structures in the region, which would sales of obsolete equipment, protection of intellectual property, venture capital and development of innovative insurance risks. Insufficient investment in fixed assets requires significant attention paid to creating an attractive investment climate, both national and regional levels.

In connection with the foregoing, the main directions of policy and implementation of regional innovation development, in our opinion, should be:

- Coordination of regional structures to facilitate the development of innovative businesses to integrate financial resources and maximize effectiveness of funding and promotion of advanced innovative solutions;

- Organization of specialized investment funds support the promotion of innovative projects at the local level;

- The information environment based on the exchange database on investment proposals and potential markets in need of new technologies and related developments;

- Introduction to the practice of international and regional forums on the problems of commercialization of technologies with scientific and educational institutions, business and financial structures;

- Creation of private investment mechanism in the science-using budget allocations for the creation of venture funds;

- A network of regional and industrial incubators to media training (retraining) professionals to work in a small high-technology business, providing methodological guidance and training in practice assessment incubators of innovation.

Improvement of funding innovative development presupposes that the national strategy for economic development and state innovation policy to monitor the financing of innovative facilities, information management, forecasting and planning of the innovation process of financing, operational management, institutional and economic support.

Requires coordination and coherence of local government authorities that regulate the processes of innovation in the region. Gains an important meaning of the necessary institutional framework to ensure business specially created local authorities in the field of innovation, namely the implementation of innovative development of general management and control of the region overlapping powers of the institutions, determining priorities for innovation in the region, expertise and innovation projects registration, program development and innovative financing schemes for projects with budget financing, budget financing, budget and financial guarantees to stimulate innovation, monitoring global market innovative products and providing centralized storage and provide information on innovative products.

Conclusion

Performance funding innovative development at the local level, primarily depends on its promotion and support. Among the possible ways to stimulate and support innovative development financing at the local level that will expedite the process of innovation in production and efficient use of financial resources directed into innovations including foreign and domestic experience are:

- 1) providing tax incentives to enterprises, institutions and organizations of innovation infrastructure;
- 2) reduce the tax base, taking into account contributions to the special fund (Innovation, investment, depreciation, etc.);
- 3) creation of conditions encourage financial institutions to finance and credit innovation entities.

The complexity and multifaceted problem of financing innovative development at the local level made it necessary to further develop the organizational and economic mechanisms of the financial component of the innovation infrastructure of the region and methods of selecting the most efficient sources of financing innovation.

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The article highlighted the basic problem of financing innovation development in Ukraine and discussed the types of financial resources that can promote innovation. The reasons of low financial activity and insufficient budget funding for innovation. Due to limited budgetary innovative development at the local level, to review the functions of local authorities and found their role in the financing of innovations and their subsequent implementation. The proposed indirect methods of influence on the process of financing innovation.