

# INCENTIVES AND OBSTACLES TO THE DEVELOPMENT OF INNOVATIVE ENTREPRENEURSHIP IN UKRAINE

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Статтю присвячено висвітленню стимулів та перешкод розвитку інноваційного підприємництва в Україні. Досліджено економічні стимули. Визначено чинники позитивного та негативного впливу на розвиток інноваційного підприємництва в Україні. Розглянуто головні причини незадовільного стану інноваційної діяльності підприємств України. Адже потужним чинником та наймогутнішим стимулом до підвищення ефективності інноваційної підприємницької діяльності виступає економічна конкуренція.

**Ключові слова:** інноваційне підприємництво, перешкоди, стимули, чинники.

Статья посвящена освещению стимулов и препятствий развития инновационного предпринимательства в Украине. Исследованы экономические стимулы. Определены факторы положительного и отрицательного влияния на развитие инновационного предпринимательства в Украине. Рассмотрены основные причины неудовлетворительного состояния инновационной деятельности предприятий Украины. Ведь мощным фактором и мощным стимулом к повышению эффективности инновационной предпринимательской деятельности выступает экономическая конкуренция.

**Ключевые слова:** инновационное предпринимательство, препятствия, стимулы, факторы.

Innovative entrepreneurship is a method of achieving a commercial goal, factor of economic stability and growth, since the innovations are

focusing on meeting market demand and specific consumer demands. However, the innovative entrepreneurship needs an active support and stimulation of development by the state. Incentive, like motive, is a form of interest. Through a system of incentives, an interest, so to speak, “unfolds”, is specified. Economic incentives determine an entrepreneurial activity and on the surface of economic relations act in the form of “stimulation” (encouragement) of subject to economic activity, increase of labor activity. “Incentives are, in essence, the reaction of the socio-economic environment of entrepreneurial activity to the behavior of a particular entrepreneur. Also stimulation ... a combination of forms, methods and means of involving people in business activity, growth of their labor activity“.

Stimulating an innovative work has its own peculiarities, which are due primarily to the fact that people who are involved in the development and implementation of new machinery and products are different among other categories of workers with a high level of education, intelligence, ingenuity. The set of interests, needs, motives, incentives and the system of material and moral stimulation (interest) created on their basis form a complex motivational mechanism of entrepreneurial activity. The internal driving forces behind this mechanism are the economic needs and interests of entrepreneur, and the external ones are incentives and incentive systems.

An important place in the system of economic incentives is given to financial levers, because the entrepreneur’s interest are focused primarily on obtaining a financial result – the different forms of income (profit, dividends, interest, rent payments, etc.).

The purpose of study is the incentives and obstacles during the development of innovative entrepreneurship by using the methods of systematization, comparison and factor analysis.

Economic incentives and motives, speaking on the surface of economic relations in the form of various forms of economic stimulation and encouragement, determine the direction of entrepreneurial activity development. Accordingly, the incentive and incentive system is a means of directly stimulating the subjects to take action, to economic activity. Therefore, in order to activate the effective levers of influence on the

economic interests of entrepreneur-innovator, it is necessary to improve the various forms of manifestation and realization of its economic interests.

Thus, the formation and development of entrepreneurship as a whole depends not only on the activity of private property in the state, there are other internal motives and incentives for efficient and active economic activity of economic entities, which, however, are closely related to property. In particular, it is the desire to ensure economic stability and sustainable economic development. The desire of entrepreneur to have a stable position in the market, interested in creativity, public recognition and most importantly – to keep the deal that was started.

Innovative activity is affected by many factors that not only contribute to its development, but also hinder it. Among them are technical, economic, legal, organizational, managerial and socio-psychological factors, Table 1.

Table 1

Factors of positive and negative impact on the development of innovative entrepreneurship in Ukraine

<b>Classification of factors</b>	<b>Factors impeding the development of innovative entrepreneurship</b>	<b>Factors creating the prerequisites for innovative entrepreneurship development</b>
1. Organizational and economic	Underdevelopment of market, scarcity of goods, lack of investment resources to finance the innovative developments and projects, backwardness of material and scientific and technical base, lack of reserve capacity, dominance of economic interests of the entrepreneur in current production.	Domination of private property, existence of healthy economic competition between producers, necessary economic and scientific-technical infrastructure, network of communications, reserve of financial resources and logistical means, advanced technologies, orientation of economic interests of the entrepreneur to the market, to satisfy customer's requests.

<b>Classification of factors</b>	<b>Factors impeding the development of innovative entrepreneurship</b>	<b>Factors creating the prerequisites for innovative entrepreneurship development</b>
2. Financial and credit	Lack and inaccessibility of financial resources, lack of validity of legislative provisions on taxation of enterprises producing innovative products, imperfection of taxation system, existing high deductions from the payroll.	State financial support for innovative business, introduction of an effective system of tax incentives, implementation of an effective policy of accelerated depreciation, provision of state guarantees in investment loans, preferential loans, creation of innovation funds, promotion of organization and activity of commercial innovation banks, promotion of preferential insurance system for enterprise risk insurance.
3. Political and legal	The volatility and instability of domestic legislative base, the existence of restrictions on the part of tax, patent and licensing legislation, blocking the validity of certain articles of the Laws of Ukraine «On Innovative Activity», «On Enterprise Profit Tax».	Presence of adopted legislative and regulatory acts guaranteeing the same «rules of the game» for all participants of market relations, existence of legislative privileges and administrative levers, encouraging entrepreneurial innovation activity, support of basic research and innovative entrepreneurship by the government, recognition of innovative development direction of economic policy of the state.
4. Management	Excessively centralized structure and authoritarian management style, predominance of vertical flows of information, orientation of producers only to existing markets and short-term payback of investments, inconsistency of interests of innovation processes participants.	Flexibility of organizational structure of enterprises, democratic style of management, predominance of horizontal information flows, careful business planning, involvement in work on innovative project of all divisions of the enterprise, from the early stages.

<b>Classification of factors</b>	<b>Factors impeding the development of innovative entrepreneurship</b>	<b>Factors creating the prerequisites for innovative entrepreneurship development</b>
5. Socio-psychological	Fear and resistance to change that can cause the negative consequences for the company staff, unwillingness to change existing activities, jobs, behavior and traditions, fear of uncertainty, failure.	Formation of positive public opinion on entrepreneurial activity, moral encouragement of innovative process participants, providing of self-realization conditions, encouragement of talented inventors and managers, workers with creative thinking and wide outlook, creation of normal psychological climate in the enterprise collective.

In order to stimulate the dynamic development of innovative entrepreneurship and entrepreneurial competition, there is no proper legal and institutional framework, the government does not encourage the businessperson to work in the high-tech market, and remains a low standard of living that impedes investment in long-term projects. An underdeveloped economic governance mechanism is a major reason for not being responsive to innovation and not being able to use it. For many entrepreneurs in Ukraine, the risk of losing markets due to trade restrictions is greater than due to technological backwardness of production and poor quality of production. There are also many problems related to the limited access of entrepreneurs to credit and financial resources, which in most cases can be obtained only in the short term, while innovative processes require long-term new and large-scale financing.

The main reasons for unsatisfactory state of innovation activity of Ukrainian enterprises are the following:

- lack of own funds of enterprises;
- insufficient state support for innovative activities, especially science, education, basic science and applied research;
- many issues in the patent licensing field have been resolved;
- imperfection of mechanisms of economic and moral motivation of invention;
- lack of proper legislative and institutional framework for the development of innovative entrepreneurship, lack of interest of the

banking system in financing innovative activity and in the whole production sphere.

In order to stimulate the innovative entrepreneurial activity, it is necessary to involve, primarily, financial instruments and instruments, in particular, various tax breaks, direct financing of important innovative programs and projects, granting of loans and grants, etc. The system of tax benefits should be differentiated depending on the production intensity, type of equipment, level of development and location of the region of country where the innovative entrepreneurship is deployed and the innovative infrastructure is formed. Tax incentives should be enshrined in law for their intended use and should be directed primarily to the development of manufacturing enterprises that innovate and create high-quality products that are exported, demonstrate efficient management.

The effectiveness of innovative entrepreneurship depends largely on the ability of entrepreneur to fully realize the ownership motivation and intellectual potential that is achieved by giving the right to own and manage the property and earn innovative income as an entrepreneurial income.

A powerful factor and the most powerful incentive to increase the efficiency of innovative entrepreneurship is economic competition, which forces entrepreneurs to act highly productively. If the desire to make a profit compels the entrepreneur to produce the products that can be profitable to sell, that satisfy public needs, then competition helps to satisfy those needs with the utmost completeness. Thus, competition pushes the producers to take the initiative, scientific and technological upgrading of production, the use of the most advanced ways of organizing economic activity, the introduction of new technology and new technologies, finding better options for the use of resources.

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