

**ROLE AND INFLUENCE OF GOVERNMENT
ON FOSTERING INNOVATION ACTIVITIES
AT MODERN ENTERPRISES**

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In the modern world, competition between companies on the market is constantly growing and becoming more severe. As a result, chances of survival for small and medium-sized businesses are decreasing. In order to remain competitive, companies need to not only minimize costs, but also pay attention to improving the quality of products and services, flexibility, reducing the time spent on production, reliability of delivery, the availability of warranty and after-sales service, etc.

Moreover, leading companies are strongly involved in innovation processes and develop new products, services, methods, techniques and technologies that help to keep them a head above their competitors and generate more profit by entering new markets and satisfying more customers' needs. Such processes are beneficial not only for companies that want to expand and strengthen their positions on the market, but also for innovative development of the country's economy in general.

For many years, in powerful industrialized countries innovation is seen as an important factor in socio-economic development. Governments realize the ever increasing role of innovation which in today's rapidly developing world is vital to keep their economies growing and expanding. Countries develop different forms, methods and ways of financing fundamental research and innovation, in particular financial support for small innovative businesses (including venture capital).

According to the Global Competitiveness Report 2017-2018 the top 10 most innovative economies out of 137 are: Switzerland, USA, Israel, Finland, Germany, Netherlands, Sweden, Japan, Singapore and Denmark. When you get a closer look and analyze how governments

in those countries influence innovation activities you would notice that mostly they have a significant impact on it. For example, in the United States financial resources come from both the state and private firms and organizations. The financing of all projects and innovations in the USA is carried out in the following proportions: 35% – with the federal budget (about \$ 200 billion); 60% – comes from the company's own funds; 5% – with funds of state government and local governments. Universities, colleges and private non-governmental organizations are involved in the financing of research and development activities at the point of 5-6%. Scientific research on the production of new materials by 35% is state-covered. Top-priority areas of investment are technological (biotechnology, energy, electronics, health), as well as aerospace and military. About 75% of research and development in the aerospace industry is carried out on state allocations.

Some of the main tools of innovation policy in Israel include international funding for innovation support as well as granting system for research and development, in which state financially supports projects of commercialization of technologies in different proportions, depending on the project's stage of development.

State support for innovative processes in Western European countries is mainly aimed at:

- stimulation and creation of favorable environment for innovation processes;
- cooperation of colleges, universities and businesses;
- improvement of the intellectual property protection system;
- improvement of information services;
- improvement of antimonopoly legislation.

As you can see, innovation processes in most of highly developed countries are both directly or indirectly encouraged and supported by their governments, which play a significant role in the development of their economies. Each year countries spend huge amounts of money on sparking innovation. Unfortunately, statistic shows that nowadays Ukraine has pretty low level of research and development financing. It has a bad influence on innovation activity in the country and as a matter of fact simply kills motivation of domestic researchers and scientists.

Many valuable and worthy projects cannot come to life due to the lack of financing. The best advice here would be to pay attention to the best world practices of successful innovation stimulating strategies, which could possibly include:

- tax breaks;
- low-interest rate loans for venture business;
- respectable financial support and encouragement;
- involvement of international innovation funds, grants, subsidies, scholarships, etc.

Finally, it's necessary to underline that governments obviously play a crucial role in setting the course of action for individual developers and researchers as well as for businesses by building country's innovation strategy. It is their responsibility to create the most favorable environment for the innovation activity to flourish.

References

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