

INNOVATIVE APPROACHES IN THE ECONOMIC SPHERE

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Abstract. *The purpose* of the article is to analyse the current state of the economy, to consider the positive and negative tendencies that stand in the way of further economic growth, and to determine on this basis an effective strategy of economic development in the innovation sphere. *The subject of scientific research* is innovative approaches in the economic sphere. *Methodology.* Based on the scientific literature analysis of the current economic situation, strategic priorities and goals of economic development were determined, as well as the dialectical method, method of scientific abstraction, methods of system analysis were used. *The results* of the research showed that there are a number of key economic problems that slow down the development of the national economy for the implementation of international experience in the development of the national economy. At the same time, Ukraine is trying to overcome the negative trends of the economic crisis by carrying out reforms and adopting appropriate strategies for joining the EU. It has now been found that a complex structural transformation of the economy is needed in order to increase the specific gravity of the high-tech and innovative sectors. *Practical implications.* The complex analyses of the state and the determinant tendencies of economic development according to the threats and risks including the crisis processes in the modern world were carried out. Determination of the basic principles for formulating and implementing economic development strategy based on coordination of strategic priorities and strategic goals of the EU and the necessity to reform the economic sector in order to develop long-term economic spheres. *Value/originality.* The realized research revealed the state of development of the economic system, as well as further development of identifying perspective trends of the economy, was received.

Key words: economy, economic development, innovative development, European integration, foreign experience.

JEL Classification: O10, O16, O19

1. Introduction

At the present stage of becoming Ukraine as a European state, a set of strategic measures directed to developing the economy in the context of European integration is being implemented (Yunin et al., 2018). Thus, the economic development of Ukraine more than ever needs today reasonable and prudent macroeconomic policies aimed at further stabilization. Radical social and economic changes that have occurred over the past decade have caused both positive and negative changes in Ukrainian society (Pavlenko et al., 2017). The development of the world economy in the period until 2020 will be marked by the influence of a number of factors and megatrends, which will lead to significant changes in the common picture of the world economy and modification of its organization. According to the place of Ukraine at the turning point of Western and Eastern European Christian civilization, the formation of a new global architecture puts Ukraine to severe geopolitical, geostrategic, and geoeconomic challenges, the answers to which Ukraine will have to find until 2020.

In this context, innovation is a defining characteristic of modern scientific and technological, industrial, socio-economic, and all social processes. The fate of Ukraine depends on the mastering innovative development mechanisms: whether it will move towards joining the developed countries or whether it will remain a stagnant country on the sidelines of scientific, technological, and social progress.

This is due to the general patterns of social development that make the transition from a predominantly reproductive to an innovative type of development in the world. Those who understood this in time and built their own economic system in accordance with this historical imperative have success, respect and glory, who didn't so – there are problems, failures, and hopelessness. Innovation is not only the key to dynamic development, prosperity, personal success, but also a means of ensuring the country's sovereignty and its competitiveness in today's highly complex world (Vasin et al., 2017). These circumstances – corresponding to the fact that Ukraine, according to the indicators of the

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EU innovation scoreboard, is an innovator which is just being developed (Heitz et al., 2015) – were the objective basis that determines the relevance of the chosen topic of research.

2. Analysis of recent research and publications

The research of theoretical and practical aspects of the current state of the Ukrainian economy is devoted to the scientific works of such scientists as: V. M. Heitz, M. Kondratenko, A. Mazaraki, S. M. Makukha, T. Melnyk, L. V. Mogilevsky, S. O. Pavlenko, V. V. Pavlov, V. G. Sevruk, V. V. Ruden, I. V. Tkachenko, and O. S. Yunin. The purpose of the article is to analyse the current state of the Ukrainian economy, to consider the positive and negative trends and the main factors that stand in the way of further economic growth, and to determine on this basis an effective strategy for the development of the Ukrainian economy.

3. Presentation of the main material

As a result of the changes taking place in society along with the positive ones, some negative tendencies are emerging, which significantly impede the development of statehood in Ukraine. The problems of economic stability are of great concern (Mohilevskyi et al., 2017).

The state of the Ukrainian economy, the transformations and processes that took place in the past and especially recently clearly show that the solution to the problem of socio-economic development has become one of the most important aims in the country. Overcoming the crisis, the fight against the global financial crisis, the transition to sustainable economic growth require the further elaboration of mechanisms for regulating the economy at both national and regional levels (Ruden, 2015).

The gradual spread of global trends of the regulation of financial and economic relations is a significant factor of the dependence of the Ukrainian financial sector on the global one, which in turn necessitates a rethinking of domestic experience in this aspect.

The development of an innovative environment in modern conditions requires the coordination of actions of individual economic entities with the state in order to obtain the optimal combination of competitive advantages, which will contribute to the implementation of the national strategy of innovation development as much as possible (Pavlov, 2019).

An important factor in the formation of an innovative economy in the country is the introduction of the latest technologies. In 2013 Ukraine sub-index for “Technological readiness” took 94th place down in the ranking by 13 points compared to 2012 (81st). Sweden, Luxembourg, Norway, the United Kingdom, and Denmark rank first in the overall technological readiness rating of the countries. Finland, Sweden,

Norway, Switzerland, and the United Kingdom have the highest level of access to the latest technologies. Ukraine ranks last by the components of the sub-index for “Technological readiness”: the availability of new technologies – 106th place, for technology development at the company level – 100th place, the movement of FDI and technology – 131st place. Better indicators of technological readiness Ukraine showed in terms of access to the global Internet: in terms of number of people using the Internet – 93rd place, in terms of broadband Internet subscribers per 100 population – 71st place, in terms of Internet traffic (KB per user) – 84th place, in terms of mobile Internet users per 100 people – 94th place (World Economic Forum, 2014). The indicators affirm a low level of technology development in Ukraine.

An indicator of the innovative and intellectual development of the country is the high level of business competitiveness. In Ukraine among the components of the Business Competitiveness sub-index, six indicators belong to potential threats and three indicators belong to critical laggings, there are no relative competitive advantages at all. Among the critical laggings are the following: the low level of the state support for the cluster development – 136th place, the nature of the competitive advantage – 112th place (basing of the competitive advantage of the country on cheap labour and cheap natural resources), the willingness to delegate the authority – 124th. The result of Ukraine is rather low in terms of the quantity (81st) and the quality (73rd) of the local suppliers network, the presence of companies in the chain of the creating of value (87th place), the control of domestic companies over the distribution channels (60th place), the complexity of the industrial processes (97th place), the use of marketing complex (77th place) (World Economic Forum, 2014). Thus, the products produced by domestic companies are mostly labour-intensive, based on outdated technology, cheap labour and natural resources.

It should be emphasized that the development of the Ukrainian economy in recent years shows the unstable dynamics, which confirms the different adaptation of its industries to the challenges of today and has the consequence of reducing the level of the investment-innovation activity and competitiveness. In addition, Ukraine is consistently ranked among the most corrupt countries (Kondratenko, 2018).

The corruption is one of the main problems that have a negative impact on the innovative economic development of Ukraine.

At the end of the twentieth century, the international community has recognized that corruption is a global problem in every country and this problem should be solved. The result was the adoption of a whole set of international mandatory and recommendatory legal acts, which was prepared and adopted by the United Nations, the Organization for Economic Cooperation

and Development, the Organization of American States, the Council of Europe, the European Union, the African Union. The international legal instruments were different in scope but the establishment of the common standards for combating corruption by enforcement of anticorruption laws at the national level was the main purpose of all of them (Sevruk, 2014).

Despite all of this, it is necessary to create conditions that will ensure the successful reformation of the national economy of Ukraine. The formation of a real idea of national development; the existence of a unified program of transformation, political will and a team of reformers; the rapid (as far as possible) reformation; the economic liberalization (from the old bureaucratic system to transparent market relations) and a capable government; the unity and the consolidation of the whole society; ensuring the equivalence of the Ukrainian economy according to the external economic environment; ensuring the high social welfare and social protection of the population; the necessity of the ecological balance of the national economy; the implementation of an innovative model of the national economy development as soon as possible are necessary for this purpose (Mazaraki, 2011).

According to our research, it is necessary to distinguish some states that have achieved significant development in the innovation sector. The United States is a country with a strong economy, a perfect political system, capable of defending and with an effective army and a number of other advantages. Nowadays the US financial system reached a high degree of the development and has become fundamental to the economy providing the opportunity for the dynamic development and overcoming the crisis (Rudenko & Tokar, 2010).

Today Germany is characterized by economic stability, a high standard of living and great achievements in the international banking market and in all other areas where the country traditionally holds a leading position (Tkachenko & Stusenko, 2011).

The Republic of France is no less financially developed today. It is one of the western leading countries ranking seventh among other countries in the world in terms of economic development. The participation of France in the "common market" has opened the strengths and weaknesses of its economy, which showed that the country has long developed under the "hothouse" conditions of the customs protectionism and due to the exploitation of large colonial possessions (Vynohradnia, 2013).

The current position of Japan in the world economy is the result of its economic development in the second half of the twentieth century. The economy of the country is focused on manufacturing and it is one of the most powerful economic systems in the world and the biggest one in Asia in spite of its high dependence on the supply of raw materials from the other countries due to the lack of its own natural resources. Moreover, Japan has created a specific economic model with

a unique system of management and organization of the production process, which covers the micro and macroeconomic levels of development that has allowed Japan to turn from a state with a feudal system into the highly developed country in a short period of time (Ziunkin, 2003).

The evolution of the European Union with the transition from the predominance of territorial enlargement policy to internal policy and deepening integration will take place by 2020. The recent enlargement of the EU has led to a significant increase in the heterogeneity of its internal structure, which was the result of a significant increase in differences not only in the levels of socio-economic development but also in the institutional features of the participating countries. The analysis of these differences leads to the increased rejection of the further enlargement of the power of the EU communitarian authorities and to the blocking of the internal institutional reforms, which are required to exist in the expanded composition. This objectively narrows the field for further EU enlargement policy as it could be fatal for the future of the European Union within the limits of the EU old institutional mechanisms. Under such conditions, major efforts will be directed towards finding ways to enhance the cooperation of existing Union members. Moreover, even partial disintegration of the European Union with the formation of the subregional integration groups with varying degrees of intensity of the interconnections is possible (a model of the concentric circles). It is important for Ukraine to reduce as soon as possible its gap with the EU countries in institutional and innovative development and also in standards of living (Strategy for Sustainable Development "Ukraine – 2020").

Thus, it should be noted that according to the Strategy for Sustainable Development "Ukraine – 2020", Ukraine has identified the following strategic indicators for the implementation of the Strategy.

The implementation of the Strategy envisages the achievement of 25 key indicators that assess the progress of reforms and programs:

- 1) in the Doing Business ranking of the World Bank, Ukraine will rank among the first 30 positions;
- 2) the credit rating of Ukraine – Rating on liabilities in the foreign currency according to the scale of the rating agency Standard and Poor's – will be not below the investment category "BBB";
- 3) according to the Global Competitiveness Index, which is calculated by the World Economic Forum (WEF), Ukraine will be among the 40 best countries in the world;
- 4) the gross domestic product (by purchasing power parity) per capita which is calculated by the World Bank will increase to \$16,000;
- 5) net FDI inflows for the period of 2015–2020 according to the World Bank will amount to over USD 40 billion;

- 6) the maximum ratio of the state budget deficit to the gross domestic product which is calculated by the International Monetary Fund will not exceed 3 percent;
- 7) the maximum ratio of the total public debt and the government-guaranteed debt to the gross domestic product which is calculated by the International Monetary Fund will not exceed 60 percent (according to the Maastricht convergence criteria);
- 8) energy intensity of gross domestic product will be 0.2 tons of oil equivalent per \$1000 of the gross domestic product according to the information of the International Energy Agency;
- 9) the expenses on the national security and defence will amount to at least 3 percent of the gross domestic product;
- 10) the number of professional army per 1,000 population will increase from 2.8 to 5.6 persons according to the information of the Stockholm International Peace Research Institute;
- 11) according to Transparency International's Corruption Perceptions Index, Ukraine will be ranked in the top 50 countries in the world;
- 12) according to the results of the survey, the level of confidence of the expert community (lawyers) to the court will be 70 percent;
- 13) according to the results of a national poll, the level of public trust in law enforcement agencies will be 70 percent;
- 14) updating the staff of the public servants in law enforcement agencies, courts and other state bodies by 70 percent;
- 15) the limit of one supplier's share in the total procurement of any of the energy resources will be no more than 30 percent;
- 16) the average life expectancy according to the World Bank estimates will increase for 3 years;
- 17) the specific gravity of the local budgets will be at least 65 percent in the consolidated state budget;
- 18) Broadband Internet penetration according to the data of the World Bank will be 25 subscribers per 100 people;
- 19) 75 percent of graduates of secondary schools will be able to speak at least two foreign languages that will be confirmed by international certificates;
- 20) Ukraine will participate in the International PISA Education Quality Survey and will be in the top 50 participating countries;
- 21) Ukraine together with the World Bank will develop an indicator of welfare of citizens and after determining its target value the state will conduct monitoring changes of the index;
- 22) 90 percent of Ukrainian citizens will feel proud of their country as a result of a nationwide poll;
- 23) Ukraine will win at least 35 medals at the XXXII Summer Olympic Games;
- 24) Ukraine will be among the 30 best countries in the world according to the Global Competitiveness Index

in the fight for talent calculated by one of the leading INSEAD world business schools;

25) 20 Ukrainian films will be widely released in 2020 (Strategy for Sustainable Development "Ukraine – 2020").

Therefore, the most important task of the economic development for the coming years for our country should be considered a decisive complex structural transformation of the economy in order to increase the specific gravity of the high-tech innovative sector. The sustainable and long-term economic development requires creating the innovative technology sector first and only then to integrate economically. And such integration should be with equal economies but not with those whose levels of development are much higher. Furthermore, the goals of the economic development of Ukraine nowadays require binding government intervention in the domination of the industrial and knowledge-intensive sectors rather than the raw materials and food sectors (Makukha, 2015).

4. Conclusion

Thereby it is necessary for today to analyse in detail the existing legislative framework, which regulates the innovation activity, and also to analyse the implementation of the effective proposals of changing this framework taking into account the tasks of economic modernization, which is based on innovation (Minasyan, 2017).

It should be supposed that for today it is necessary to pay special attention to the development of innovations in Ukraine. One of the most important factors in the competitiveness of the economy is the innovativeness of the country. The only relative competitive advantage of Ukraine under this criterion according to which it ranks 46th among 148 countries in obedience to WEF is the availability of scientists and engineers. The rating of Ukraine in terms of quality of the research institutions is relatively high – 69th place, with the cooperation of universities and enterprises in the field of research and development – 77th place, with the number of patents per million population – 52nd place. The worst result Ukraine demonstrates in terms of its ability to innovate – 100th place, expenses of companies for research and development – 112th place, state purchases of advanced technological products – 118th place (World Economic Forum, 2014).

Therefore, summarizing the conducted comparative analysis of innovative approaches in the economic sphere of foreign countries and Ukraine leads us to the conclusion that in many respects the foreign experience is more acceptable and effective than the national one because all the countries examined are the world leaders of economic development nowadays. Undoubtedly in each case, we are talking about the specific aspects of historical and political evolution where each of them has its own impact on the economic sector of a country.

Therefore, the “European Choice” which lies in the effective implementation of profound economic, social, and political reforms, the consolidation of democracy and the basic principles of the civil society is the foundation of the economic growth strategy (Laperche, 2012). Accordingly, the Ukrainian economy needs some changes in order to achieve high social standards. Ukraine’s

economic policy should be directed towards the economic growth, the increase in incomes and the quality of life in general through the transformation of the system of the labour compensation, the diversification of the economy through the creation of an attractive investment climate, the optimization of the tax system, the development of a “green economy” and innovative approaches.

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