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THE NATURE OF INSTITUTIONAL ENVIRONMENT OF THE NATIONAL INNOVATION SYSTEM

This article presents the causes for imbalances in the financial market, having institutional roots, the main of which is the lack of the state vision of the problems and development prospects of the financial sector and its segments. The article also suggests the research outcomes related to the financial sector which revealed that among the most developed institutions are commercial banks and insurance companies, the "inheritance" from the previous command system.

Keywords: institutionalism; innovative development; economic systems; methodology.

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СУТНІСТЬ ІНСТИТУЦІЙНОГО СЕРЕДОВИЩА НАЦІОНАЛЬНОЇ ІННОВАЦІЙНОЇ СИСТЕМИ

У статті наведено причини диспропорцій на фінансовому ринку, що мають інституційне коріння, головною з яких є відсутність системного державного бачення проблем і перспектив розвитку фінансового сектору та його окремих сегментів. Також представлено результати дослідження фінансового сектору та виявлено, що більш інтенсивно розвиваються саме ті інституційні одиниці, які «перейшли» у спадщину від командно-адміністративної системи – комерційні банки і страхові компанії.

Ключові слова: інституціоналізм, інноваційний розвиток, економічні системи, методологія.

Табл. 1. Літ. 10.

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СУЩНОСТЬ ИНСТИТУЦИОННОЙ СРЕДЫ НАЦИОНАЛЬНОЙ ИННОВАЦИОННОЙ СИСТЕМЫ

В статье приведены причины диспропорций на финансовом рынке, имеющие институциональные корни, главной из которых есть отсутствие системного государственного видения проблем и перспектив развития финансового сектора и его отдельных сегментов. Также представлены результаты исследования финансового сектора и выявлено, что интенсивнее всего развиваются именно те институциональные единицы, которые «перешли» по наследству от командно-административной системы – коммерческие банки и страховые компании.

Ключевые слова: институционализм, инновационное развитие, экономические системы, методология.

Problem setting. It is ineffective institutions working in Ukraine in the field of innovations activity arrangement at all management levels that are responsible for the low level of innovations having an adverse effect on Ukraine's economic development.

Latest research and publications analysis. Domestic and foreign scientists devoted their research papers to the determination of the institutionalism methodology – O. Ageev et al. (2010), O. Amosha et al. (2010), V. Geyts (2009), S. Kyrdyna (2000), T. Savostenko et al. (2008), V. Sobolev et al. (2010), A. Sadoy (2010).

But despite the intense interest to this subject by scientists, the issue of innovative economic development at the current market and the integration of Ukraine's economy into the global economy are still the unresolved issues.

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Unresolved issues. The very idea of innovation has only started gaining popularity in Ukraine (Amosha et al., 2010). But twenty years of its presence in the global economic space proves that the mere announcement of the course on innovative development is not enough for the positive dynamics in the economic life of the society, also it is insufficient for the start of positive trends in the development of society in terms of institutions' establishment.

One of the main factors of the low level of innovative development, as scientists state, is the inefficiency of the institutional activity and the lack of synergy effect in their activities.

The research findings. Innovation is the primary factor of economic development in Ukraine. Meanwhile, twenty years of Ukrainian economy's existence demonstrate the negative trends in its development.

Market transformations in Ukraine are the explicit illustration of the neoclassical theoretical achievements. It is in the model of neoclassical synthesis, especially in orthodox Keynesianism, that the dramatically increasing attention is paid to institutional factors.

First of all, this is due to the current state of economic theory development described as the crisis by many researchers. Its mainstream is the neoclassical economic theory which for a long time has been strongly criticized for its unrealistic fundamental preconditions and theoretical principles and for the mismatch between forecasts and reality. Institutionalism positioned itself as an alternative trend of economic theory, represented a set of partial knowledge (separate theories), loosely connected to each other in the entire system, because of what it is impossible to consider it as an integral economic theory. There are several institutionalism trends.

The review of the world experience on this issue shows that economic growth under the current conditions requires an appropriate institutional environment and mechanisms that will promote the rapid implementation of the latest technologies.

The concept of institutional environment for innovative development we understand as the ordered set of institutions (formal and informal norms and rules) that creates the matrix of economic behavior or a mechanism, which represents some people's cumulative actions directed at the behavior of others, enforcing the latter to a specific type of behavior, and as a result, getting sufficiently stable social structure or organization.

Improvement of institutional environment structure in the field of innovative activity is an important condition for increasing the level of competitiveness and decrease in risks of national economic performance. Special attention should be paid to the improvement of those formal institutions that provide innovative climate and competitiveness and decrease the risks.

Institutes by nature are heterogeneous. Informal institutions (institutional rules) forming the social standards in the behaviour of innovation entities concern morality, level of civic culture, economic intelligence, human capital quality, mentality, social responsibility of business. Formal institutions (institutional rules) of innovation are the legal confirmation of informal rules prevailing in the society in the long process of historical selection: law of property and legal institutions, political institutions (political freedoms), financial institutions, banking and credit organizations, institutions of shadow economy.

The institutionalization of innovation sphere means the transformation of economic entities intentions to create favorable environment for innovation in the form of implementation of relevant rules and regulations through the mechanisms of economic and legal regulatory authorities' activities. Imperfect institutional innovation environment in Ukraine is conditioned by the weakness of formal institutions (law of property, intellectual property protection, level of financial market development, technological base, level of higher and professional education, independence of the judiciary, state and public institutions), informal institutions imperfection (public confidence in power, level of public culture, availability of human capital) and existence of institutional traps (power-property, corruption, shadow economy).

As an institutional norm the institute of confidence in society promotes the implementation of businesses entities interests and creates favorable conditions for strategic goals' achievements, making and implementing investment decisions. Confidence decrease as to the government and policy implementation is reflected on the possibilities for innovations. There is a stable relationship between the level of confidence to the government and investment rates and economic growth. In fact, confidence is the basis on which the relationships between the state and the economy are being built. On one hand, the state can implement its economic policy, protect the terms of contract between entities providing confidence in its activities on the part of economic agents, on the other hand, confidence in society depends on existing formal state institutions and their quality of work and also their supplementing informal rules (norms).

The impact of the institute of confidence is revealed by the development of financial market.

Ukrainian non-banking financial sector was developing quite rapidly before the global recession, increasing the quantity of non-banking financial organizations, assets value, demand for services on the part of consumers (Sobolev et al., 2010). Unfortunately, the institutional development of the financial sector in Ukraine has gone by the adverse scenario, which is demonstrated by the overdeveloping of the banking sector as compared to non-banking financial institutions and institutions of the stock market.

Table 1. Number of institutional entities and the volume of assets of the financial sector of Ukraine, 2010–2011 (at the end of the year)

Name of institutional entities	Number of institutional entities		Assets, mln UAH	
	2010	2011	2010	2011
Banking subsector				
Commercial banks, total	194	198	1090.3	1211.5
Including operating	176	176		
Non-banking financial and credit organizations				
Credit organizations, total:				
Including:				
Credit unions	659	613	3432.2	2386.5
Other credit organization	42	49	2498.9	3903.6
Legal entities of public law	29	29	6430.4	5500.1
Another financial intermediaries:				
Insurance companies	456	442	45234.6	48122.7
NPF		96	1467.2	1386.9

Source: systematized according to (O. Amosha et al., 2010; V. Geyts, 2009; T. Savostenko et al., 2008; V. Sobolev et al., 2010).

Table 1 presents the financial sector assets (excluding the institutes of the stock market) – commercial bank assets accounts for a major part and in non-banking sector insurance companies are leading. Other parts of the financial sector, including the stock market, are practically undeveloped.

The institute of confidence has a strong influence on the development of NPF, namely on the low level of citizens confidence, lack of information about the prospects of deposits in NPF, "heated" by unstable state economic situation. All this has a negative impact on NPF market development in Ukraine.

The existence of developed and fully functioning financial system is the key factor of the economic growth of the country. Before the global recession, the non-banking financial sector of Ukraine developed quite dynamically, increasing the number of its institutions and the assets value.

Conclusions. The authors of this research share the opinion of many scientists, that the reasons for the financial market disproportions have institutional roots, the main of which is the lack of the state vision on the problems and prospects of the financial sector and its subsegments development. Practically over the whole period of Ukrainian independence spontaneous development of financial sector takes place and the most intensively developed institutional units are the commercial banks and insurance companies which are "the heritage" of the previous command system.

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