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MODERN FORMS OF FINANCING INNOVATIVE ACTIVITY IN UKRAINE

СУЧАСНІ ФОРМИ ФІНАНСУВАННЯ ІННОВАЦІЙНОЇ ДІЯЛЬНОСТІ В УКРАЇНІ

The paper deals with modern forms of financing innovative activity in Ukraine. Special attention is given to such unconventional method of financing innovation processes as lease financing. Its role in the financial support of innovation activity in Ukraine is defined.

Keywords: forms, financing, innovations, innovative activity, leasing.

У статті досліджуються сучасні форми фінансування інноваційної діяльності в Україні. Особлива увага приділяється такому нетрадиційному методу фінансування інноваційних процесів як лізингове фінансування. Визначена роль лізингового фінансування у фінансовій підтримці інноваційної діяльності економічних суб'єктів в Україні.

Ключові слова: форми, фінансування, інновації, інноваційна діяльність, лізинг.

В статье исследуются современные формы финансирования инновационной деятельности в Украине. Особое внимание уделяется такому нетрадиционному методу финансирования инновационных процессов как лизинговое финансирование. Определена роль лизингового финансирования в финансовой поддержке инновационной деятельности экономических субъектов в Украине.

Ключевые слова: формы, финансирование, инновации, инновационная деятельность, лизинг.

Introduction. It is generally accepted that technical progress, along with human capital, has a major impact for the wealth and long-term growth of industrialized countries. Consequently economists have studied the causes and effects of innovation in theoretical and empirical studies for a long time [8].

The dynamic conditions of the innovative activity development require the analysis of potential funding sources, their selection in accordance with the delivery and refund, and search for the optimal variant.

The development of the innovative activity both at the level of enterprises and at the level of the entire state involves the creation of a well-balanced system of financing. The original basis to build a system of financing innovations is the following: linking the system with the challenge of accelerated and efficient research and technological development; validity and legal security of techniques and mechanisms; multiplicity and alternative sources of financing; adaptability and flexibility of the financing system to the changing conditions of the environment with the aim of maximizing support for innovation.

The relevance of the theory of financing innovative activities is explained by, firstly, the need for large amounts of funding, primarily for innovative projects; secondly, the usefulness of this type of economic activity; thirdly, the need to create effective forms of financial and credit relations that mediate each stage of the innovation process.

The reformation of the economic system, the development of forms of ownership and organizational forms of enterprises led to the emergence of a wide range of sources and ways of financing innovative activities in Ukraine. When forming the sources of financial support of innovation it must be taken into account that its effective implementation can be achieved by using traditional forms

of investment, as well as through the use of innovative sources and their complementarity.

To traditional forms of investment into innovative projects include: a bank loan; the proceeds from the issue of securities, third-party investment for the establishment of the project enterprise to implement the project; funds from the sale of free assets; proceeds from short-term projects (for financing long-term ones); own funds (profit, depreciation fund); funds received under the pledge of property.

In turn, to the unconventional methods of investing innovative projects belong techniques, the essence of which is to provide innovative projects with the necessary material and technical, human and information resources. These methods include: purchasing in instalments or leasing the equipment required for the project; a license purchasing with its payment in the form of royalties; placement of securities with payment in the form of supplies or leasing the required resources; attraction of the necessary labor resources and contributions to the project in the form of knowledge, skills and know-how; venture financing; factoring; forfeiting.

The use of unconventional methods of investment in innovation in today's conditions is of particular importance for the economy of Ukraine because of budgetary constraints; lack of own funds for the innovative activities; high-interest rates and short-term loans; inflationary trends. Therefore, special attention should be paid to the possibility of implementing and using unconventional for the domestic economy method of financial support for innovation activities, such as lease financing.

Literature analysis. The problem of financing innovation processes is paid considerable attention to by both domestic and foreign scientists-economists. However, the problem of lease financing is still not well understood. The authors [3; 4; 5; 8; 10; 11] do not pay enough attention to

the innovation component of lease financing and few take into account the opportunities associated with the versatility of financial leasing.

Objective. The aim of the study is to justify providing lease financing of innovative activities in Ukraine and develop mechanisms of its optimization.

Results. There is growing consensus that well-functioning financial markets play a central role in driving economic growth through their ability to spur technological innovation. One way that financial markets are believed to play this role is by allocating capital to firms with the greatest potential to implement new processes and to commercialize new technologies [10, p. 8].

Factors hampering innovation curtail the profitability of innovative projects, and are an indication that framework conditions are acting to reduce the extent of innovation activities in the national economy. They may lead firms not to start innovation activities at all, or be reasons for a delay of or even an unsuccessful end to innovation projects. Generally, factors which constitute barriers to innovative success can be put into the following categories: costs, economic risks and profit opportunities; lack of internal and external funds; knowledge and human capital; legal and bureaucratic burdens; intra-firm restrictions and resistance [11].

One of the main ways of innovative activity of Ukrainian enterprises is the technological preparation of production and purchase of fixed assets, which is associated with innovation. These areas of innovation activities can be seen as objects of leasing relations.

Lease financing of innovative processes in Ukraine is regulated by the Law of Ukraine "On financial leasing" [1], according to which financial leasing is a type of civil and legal relations arising from a financial leasing contract, by which the lessor undertakes to acquire ownership of a thing from the seller (supplier) in accordance with lessee's specifications and conditions and transfer it to the lessee for a specified period not less than one year for the established payment (leasing payments) [1].

A few decades ago, the phenomenon of leasing relations was defined as an innovative specific additional system of perspective financing, in which rent relations are involved, the relationship of credit financing under pledge, the relationship on debt obligations and other financial relations. Today in the international practice and in Ukraine leasing ceased to be an element of novelty in the initial understanding and implementation in practice.

In cases where leasing as a way of investing provides innovative activities, it acquires new economic sense – it becomes an innovation. In this sense, the economic category of leasing has got a new relevance both in practical application and in theoretical understanding [3].

Lease financing of innovation processes represents a specific kind of economic relations between subjects of leasing – a lessor, a lessee and a seller of the leased property regarding movable and immovable property relating to fixed assets in the innovation process. However, not every kind of activity is innovative because it can be reproductive or productive. In the first case, the activity is aimed at obtaining and reproduction of the already known traditional material and spiritual wealth (product) by means of previously known methods (technology). In the second case, productive or innovative economic activity relates either to production and sale of new products by means of previously known

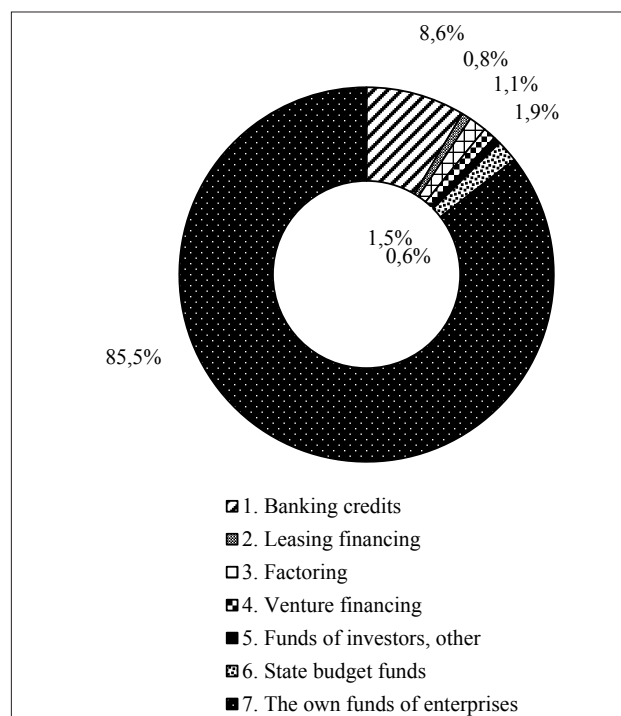
techniques; or production of a known product, but with the help of new technologies; or development and implementation of a new product by new technologies [3].

Lease financing of innovation can be seen as a way of investment that provides innovative activities or promoting an innovative product on the market. In this case, we are dealing with a traditional form of leasing, previously known in practice, but having some other functional loads due to the innovativeness of the product, which is sold through leasing. Innovative leasing appears on the leasing market at the time of the appearance of the innovative product itself.

The close relationship between the leasing and the innovative product exists because the product for some reasons (high cost, unknown product for consumers) can be sold only through leasing; distribution of the product through leasing brings the maximum effect of sales; only product promotion through leasing provides market recognition of innovativeness of the product itself [3].

This position of leasing in the financing of innovation activities leaves no doubt as for the importance of lease innovations today and in the future.

Despite a large number of advantages of the leasing financing of innovative activities over other ways of financing, it is still a minor share of all sources of financing of innovative activity in Ukraine (0.8%) [7] (pic. 1).



Pic. 1. Allocation of sources of financing innovative activity in Ukraine (2014)

So, according to statistics, the main source of financing of innovative activity in Ukraine in 2014 were the own funds of enterprises – (6540.3 million UAH or 85% of total expenditure on innovation) [7].

In Ukraine, domestic investment accounted for only 14.1% of GDP in 2014 [6]. According to experts, Ukraine is able to satisfy an acute need for investment by making better use of the potential of the market of leasing services. Leasing in its various forms is an alternative to lending. It allows to significantly reduce the starting investment, and therefore, opens up opportunities for development of small

and medium-sized businesses. This is evidenced by the experience of many countries of the world: in the USA the share of leasing in the total volume of investment is 50%, in Europe – 40%, in Asia – 80%, in Russia – 9-15%. In the national economy, the share of leasing in total investment volume does not exceed 3-5% [4].

The concept of reforming the state policy in innovations for 2015–2019 is aimed at identifying the conceptual basis of state regulation in innovative sphere; the formation of structural economic and organizational basis of innovation; the creation of an appropriate institutional framework, ensuring cooperation between various institutions during the implementation of innovations; creation of the state support system for innovative development of the national economy, taking into account the development priorities of science, technology, and innovation; creation of the modern market of innovations and technologies, determination of the mechanism for rapid response to changes in the innovation sphere [2].

The investment-innovative model of Ukraine does not cover all parts of the innovation process and does not provide relevant services in the field of innovation. This requires efficient use of various funding mechanisms for innovation activities, lease financing in particular. The efficiency of the implementation and use of the lease financing mechanism much depends on the level of development of the leasing market of Ukraine.

It should be noted that today the Ukrainian leasing market is still not very developed. It is estimated that the cost of current financial leasing agreements as at 30.09.2014 amounts to about UAH 57.2 billion [4]. While the potential demand for leasing services in Ukraine is estimated by the experts of the World Bank from 12 to 80 billion dollars [5].

The main uses of leasing operations – vehicles, agricultural machinery (leasing operations with agricultural machinery are quite risky, because almost all farms of the agricultural sector are ardent debtors), agricultural processing (most reliable from the point of view of return on investment, because the demand for products is relatively stable), computers and printing equipment that, in general, corresponds in structure to the international practice. However, the present level of development of leasing activity in Ukraine does not even meet the needs of one sector of the economy – agriculture.

In comparison with the developed markets, lease financing of innovative activities in Ukraine is developing rather slowly. The fact is that in 2014 only every seventh enterprise in Ukraine carried out the innovative activity [7], whereas in the developed countries the share of innovatively active enterprises reaches 70%.

Among the barriers hindering the development of lease financing of the innovative process the undeveloped mechanism of state regulation of this process is of particular importance, undue centralization of decision-making about the creation of new innovative structures at the highest level of government. The latter can be explained by the lack of adequate understanding in the public administration of the role, capabilities, and functional features of different types of innovative structures, as well as the responsibility content of each of the existing public administration body.

The current state of development of innovative infrastructure confirms the necessary to increase the state's attention to its development. The state innovation system should eliminate barriers preventing the integration of

all types of resources in innovation, combine scientific research institutes and institutions, design organizations and innovation structures of different ownership forms developing new products, with industry, create the industry of innovations, to ensure the continuity of the innovation process, management and implementation of innovative projects, technology transfer, the new technological level of the key sectors of the economy.

Leasing activity in its new quality is largely determined by innovative leasing infrastructure, which is an applied field of leasing, including the market of innovations, the capital market (investment) and the pure competition market for innovations (innovation).

Positive characteristics of the use of leasing for the financing of innovation activities are flexible repayment schedule according to production cycles and cash flows, favorable tax regime, which is the allocation of the lease payments in full to the cost of production, resulting in a decrease in the outflow of funds.

Despite the high prevalence of leasing in developed countries, this type of interaction is not yet sufficiently widespread in the economic environment of Ukraine because of its relative novelty, lack of experience and imperfections of the legislative base.

Conclusion. The analysis of lease financing of innovative activities in Ukraine demonstrates the lack of realization mechanisms of innovative development. It predetermines low competitiveness of the national economy, high energy, and resource consumption increases the technogenic load on the environment.

To optimize lease financing of innovative processes in Ukraine it would be advisable to introduce into practice the following legislative and organizational measures:

align the tax system with world standards, transform its fiscal functions in order to stimulate innovative development. For approval at the legislative level it is proposed to develop regulations that would establish: 1) taxation order, according to which the size of the base income tax of enterprises and organizations shall be reduced by the amount of funds that were sent directly to the lease financing of innovative activity; 2) state insurance of risks of innovative activity with the subsequent reimbursement to investors of a certain percentage of potential financial losses;

develop innovation infrastructure adapted to market conditions;

comprehensive technology audit and inventory of available technical capacities of industrial enterprises in all regions of Ukraine;

deploy the training system on innovation management and the network of information and consulting centers in the field of lease financing. Investing in training managers in the field of innovation gives the greatest economic return compared to all other forms of investment and plays a significant role in shaping the modern culture;

the basis of innovative development should be the creation of integrated corporate structures, in particular transnational, scientific and technical centers, technopolises and technology parks, leasing firms. In the future, they should become the core of the innovation process.

The formation of the innovative model should proceed from the necessity of the organic combination of market methods of stimulating scientific and technological activities with measures that would ensure a substantial increase in the role of the state.

Ukraine has a favourable geographic location and well-developed cultural and economic relations with CIS countries, creating significant potential for cooperation opportunities, which could be exploited more fully. International visibility of innovation efforts is important to attract the interest of foreign partners and engage them in domestic initiatives. However, this requires coordinated efforts that present a coherent view of public programmes and allow synergies [9, p. 52].

Ukraine has to accept the global challenge, adequately and professionally respond to trends in the global markets to ensure its national interests, economic security and sustainable development. A special role belongs to the development promotion of lease financing innovation activities with the purpose of equal and independent integration of Ukraine into the global innovation space.

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