Impact Factor:	ISRA (India) = 4.971	SIS (USA) = 0.912	ICV (Poland) = 6.630
	ISI (Dubai, UAE) = 0.829	РИНЦ (Russia) = 0.126	PIF (India) = 1.940
	GIF (Australia) = 0.564	ESJI (KZ) = 8.997	IBI (India) = 4.260
	JIF = 1.500	SJIF (Morocco) = 5.667	OAJI (USA) = 0.350

QR – Issue QR – Article

SOI: 1.1/TAS DOI: 10.15863/TAS
International Scientific Journal
Theoretical & Applied Science

p-ISSN: 2308-4944 (print) **e-ISSN:** 2409-0085 (online)

Year: 2021 **Issue:** 02 **Volume:** 94

Published: 16.02.2021 **http://T-Science.org**

Nodirbek Zamirdinovich Bahriddinov
Namangan engineering-construction institute
Researcher at the department of economy

MEANING AND NECESSITY OF IMPROVING THE MECHANISM OF FINANCIAL INCENTIVES FOR INNOVATIVE ACTIVITIES IN INDUSTRIAL ENTERPRISES

Abstract*: The article analyzes the implementation of innovative activities in industrial enterprises on the basis of a conceptual approach associated with the mechanism of financial incentives.*

Key words*: innovation, innovative activity, financial incentives, financing, types of innovation.*

Language*: English*

Citation: Bahriddinov, N. Z. (2021). Meaning and necessity of improving the mechanism of financial incentives for innovative activities in industrial enterprises. *ISJ Theoretical & Applied Science, 02 (94),* 183-186.

Soi: http://s-o-i.org/1.1/TAS-02-94-43 ***Doi***: crossref https://dx.doi.org/10.15863/TAS.2021.02.94.43

Scopus ASCC*: 2000.*

Introduction

In the current situation, the achievement of business competitiveness depends on the activation of innovative activities. Because the creation of innovations, the expansion of the range of products produced, the introduction of new consumer properties of the product can ensure successful competition in domestic and foreign markets.

Innovative activity is carried out within the framework of financial and economic relations and has its own specific financial purpose. This is typical for an economy where market relations are principal or dominant. Therefore, the mechanism of financial support of innovations or financial incentives for innovative activities, which is at its heart, is crucial in ensuring the implementation of innovative processes in industrial enterprises.

The study of innovative development requires, first of all, consideration of concepts such as innovation, the innovation process and its components, the classification of innovations, the innovative project and its description. Based on the analysis of the essence of these economic categories, it is possible to substantiate the modern concept of financial incentives for innovative development of enterprises.

Here are the most common definitions of innovation. The term "innovation" was first introduced into scientific circulation by the Austrian scientist Josef Schumpeter. He saw innovation as a tool or tool for the benefit of the entrepreneur. According to him, the source of economic fluctuations in economic life is a "passionate entrepreneur" [1].

In many cases, innovation is seen as a final result of innovative activity, as its integration into the marketed product. This approach is typical of a number of Russian researchers [2].

While it is appropriate to describe innovation as the result of an innovation process, innovation is not limited to a new product, technology, social service, or “consumer value”. In all cases, it is also reflected in new ways of selling the finished product, marketing, supply and organization of production.

Researchers also use the terms "innovation", "introduction of innovation" and "novelty" as synonyms. In our opinion, it is also necessary to distinguish them without denying the commonality of these terms. The novelty is the formalized result of research, development, or experimentation, or more precisely, the result that enhances the effectiveness of a particular activity. An innovation can be formalized as a patent, invention, discovery, trademark, improved or completely new product.

"Innovation" or "introduced innovation" means the innovation that is being used, that is, the innovation that has been introduced and is becoming a form of innovation. The introduction of innovation in such an approach is one of the stages of the innovation process. Of course, for the innovation process to continue, the introduction of innovation must be able to yield positive results.

Hence, it is seen as the result of modifying a business object to achieve economic, environmental and social benefits through innovation.

The contents of the categories of novelty, innovation and innovation are summarized in Table 1.

Table 1. Description of the content and features of the categories of novelty and innovation.

Category name	Role in the process	Meaning	Feature
Novelty	Introduction stage	Patent, invention, discovery, new method, etc.	Availability of novelty
Innovation introduction	Intermediate stage	Introducing innovation and use of it	Materialization of news
Innovation	Final stage	Dissemination of news	Achieving the important result

The categories shown in this table also have their own financial content. Innovation usually does not require very large financial investments. Its financial results are also not yet reflected in accurate financial calculations. More precisely, while the expenditures are clearly visible, they do not directly represent the expected future financial flows (incoming flows). The introduction of innovation will give a more detailed picture of the flow of costs, the material results will be determined, but while the existence of economic nepotism is evident, its growing scale is not yet clearly expressed. The innovation category, on the other hand, reflects all costs and revenue streams in sufficient detail from a financial point of view. At the same time, it relies on substantial financial investments. It is precisely the expected economic benefits that provide the strongest financial incentives for innovators.

According to researchers, innovations can be seen as new material and intangible benefits with new properties (new products, new materials, processes, methods, etc.). At the same time, innovation is also a process. Because it also refers to the process of producing, assimilating, disseminating, and use of news. In this sense, the innovative process and innovative activity develops over time, going through stages.

In a developing economy, innovation needs to be understood in a broader sense. Any progressive changes in the organization of production in the productive forces in relation to the stage of development achieved here will have an innovative meaning [3].

Innovations can be divided into technological and non-technological innovations. Technological innovations are directly reflected in production results. These include changes in production methods, tools and technologies. Technological innovations form the basis of technological development. That's why researchers often focus on them exactly.

In the economic literature, in most cases, the approach to the classification of innovations on the basis of material criteria, noting the following types:

- Product innovations (new products in the field of production or consumption);
- Technological innovations (new production technologies);
- Organizational and management innovations (new methods of production management and organization of work);
- Social innovations.

The last three types of innovations can also be called process innovations. Such innovations also allow to reduce costs and get additional benefits. As a result, they also master the production of new products or improve the quality of existing products. However, the main type of innovation is in the form of product innovations. It should be noted that typically any innovation combines all of the four indicated characters in different combinations at the same time.

Product innovations will be more attractive in terms of financial incentives for innovation. Because the new product will allow you to get a higher profit faster by having a dominant position in the market until its competitors appear. Technological innovation is important for products that already have a place in the market. Appropriate financial results can be achieved by reducing the cost or improving the quality of the product. Typically, technological innovation is a much more complex process, both in terms of financial relationships and connections.

In contrast to the above, organizational management innovations often do not require substantial financial resources. But its relation to the human factor and the mobilization of human capital also seriously complicates its inherent financial incentive mechanism.

Social innovations do not have a direct financial impact. More precisely, the financial results are mainly enjoyed by consumers, not financiers. But such innovations are important for the company's position in society and thus its position in the market.

In most cases, depending on their financial capabilities, smaller industrial enterprises are more prone to product innovation, medium-sized enterprises to technological innovation, and large enterprises to social innovation. While social innovations do not bring direct financial and economic benefits, they do help to increase and accelerate the effectiveness of product innovations or technological innovations.

From the financial and economic point of view, scientific and technical development, which characterizes innovation, should be considered as technological process innovation and product innovation at the enterprise level. This approach combines technology upgrades and product upgrades, including determining the optimal direction of financial flows in addressing issues in this process. In other words, the financing of the technical and technological level of production ensures that the product is carried out in accordance with the stages of the life cycle. Investing in new technologies for a long period of time in terms of profitability or financial result is considered effective. But it is in this direction that the level of financial risks will be higher. Therefore, investors are wary of technological innovations, preferring previously tested technologies. Another financial aspect of the issue is that the capital requirement of this line is higher and requires less labor.

The success and effectiveness of any enterprise's innovative activities depends in many ways on determining the sources and methods of financing it [4].

Creating a well-founded system of financing innovative activities in industrial enterprises will create conditions for the accumulation of financial resources and spending on innovative activities [5].

Financing of innovative activities is the use of funds directed to the design, research and organization of the production process of new types of products, the creation and introduction of new types of equipment and technologies, works and services [6].

The classification of innovations proposed by Russian researcher A.I Prigogine many years ago is noteworthy:

1. By prevalence: unique and flexible innovations. Substitute innovations.

2. By role in the production process: binder, product and raw material innovations.

3. By place in relation to previous innovations: canceling, paving, reversing, entering, replacing innovations of the past.

4. Market share: strategic, systemic and local innovations.

5. In terms of novelty and innovation potential: improving, combinatorial and radical innovations [7].

The last two areas are based on the financial and economic content of innovations and are a priority in financial decision-making.

In the classification of researchers of the Russian Research Institute of Systematic Research, innovations are divided into innovations in the field of trade, production, economics, technology and management [8].

We believe that a different approach is possible based on the above-mentioned categories of innovations. In our opinion, innovations can be divided into types according to the following characteristics.

In meeting needs: innovations that meet existing needs and meet new needs.

On the role of science and technology in development: technological, technical, organizational and social innovations.

Coverage: global, national, regional, local and local innovations.

By field of application: product, process and market innovations.

In our opinion, depending on the financial analysis based on marketing research, it is possible to distinguish the stages of innovative activity:

1. The possibility of gaining a position in the market, taking into account the financial opportunities;

2. Design a new product, estimate costs and revenues;

3. Testing a new product on the market;

4. Market access;

5. Financial management of new products.

The principles of organizing the financing of innovative activities are based primarily on the abundance and diversity of sources of funding [9].

In a market economy, it is inappropriate to study innovations in isolation from their sources of funding, the mechanism of financial incentives. Because innovations in all cases have a financial meaning, as well as material-technological or social utility. The classification by the above criteria is also based on the assumption that in fact every type of innovation is financially secured and brings financial benefits.

Due to the development of innovative infrastructure in our country, there are opportunities for the formation and development of innovative potential, as well as further increase the competitiveness of the economy. It also has a positive impact on the development of the national economy [10].

Therefore, in the process of implementing innovative activities, it is very important to rationally establish a mechanism for its financial incentives.

References:

1. Shumpeter, Y.A. (1982). *Theory of economic development*. (p.152). Moscow: Progress.
2. (2007). *Innovative management. Uchebnik dlya vuzov po spetsialnosti menedjmed*. 3-e pererab i dop. S.D.Ilynkova; L.M. Goxberg. (p.334). Moscow: UNITI-DANA.
3. Sirojiddinov, I., & Xodjibaeva, I. (2020). Features of the investment process in the economy in the conditions of the pandemic coronavirus. - *EPRA International Journal of Multidisciplinary Rescarch* - Peer Revieved Journal. July 2020.
4. Baxriddinov, N.Z. (2018). The state of financing innovative activities in the Republic of Uzbekistan. *Scientific electronic journal "BUSINESS - EXPRESS"*, №6 (126).
5. Ilyadkov, A.V. (2012). Problems of financing of innovative activity of the enterprise. *"Modern research of social problems" electronic scientific journal*, №1.
6. Baxriddinov, N.Z. (2018). Issues of financing the innovative activity of the enterprise. *"Market, money and credit" scientific-practical journal*, №3, pp.56 - 59.
7. Prigojin, A.I. (1989). *Innovation: stimuli and prepyatstviya*. Moscow: Politizdat.
8. (1995). *Upravlenie issledovaniyami, razrabotkami i innovatsionnymi proektami*. Pod red. S.V.Valdaytseva. - SPb, editions SPb univ..
9. Baxriddinov, N.Z. (2018). Principles of development and financing of innovative activity in Uzbekistan. *Scientific-practical journal "Market, money and credit"*, №9, pp. 68 - 69.
10. Rasulov, N.M. (2015). Conditions and main directions of development of innovative activity in Uzbekistan. *Scientific electronic journal "Economy and innovative technologies"*, № 6, November-December.