**Pavlenko I. A**., Doctor of Science (Econ.),

Professor, рrofessor of business economics

Kyiv National Economic University named

after Vadym Hetman

**DEVELOPMENT OF INNOVATIVE ENTREPRENEURSHIP:**

**THEORETICAL, METHODOLOGICAL AND LEGAL BASES**

***Annotation.*** The essence of such economic categories as «innovations», «innovative entrepreneurship», «national innovative system» has been investigated and specified. The defining role of the innovative entrepreneurship as a source of international competitiveness and economic development has been demonstrated. The prerequisites and principles of the innovative entrepreneurship development in Ukraine have been revealed. The role of the innovative entrepreneurship has been defined and the state of its financing has been assessed. The organizational, legal, financial and economic bases of national innovation system have been worked out. The complex of measures to improve the organizational and functional system of innovative enterprises in Ukraine has been developed.

***Keywords***: innovation, innovative entrepreneurship, national innovative system, organizational and financial system of innovative entrepreneurship, legislative support of innovative entrepreneurship.

*Problem definition and its relationship with important scientific problems.* The beginning of the XXI century is characterized by significant qualitative changes in the nature and driving forces of social development. Economic systems of states are upgrading continuously in response to dynamic technological changes. Stiff competition helps to reduce time-to-goods on world markets, forcing countries to accelerate innovation processes and quickly commercialize new development. Therefore, the main factor in the effective development of Ukraine in modern conditions is systematic use of its innovation potential. Only on this basis the growth rate of gross domestic product may increase, the competitiveness of the national economy may ensure, global challenges and the financial crisis may confront.

The need for development of Ukraine's economy based on innovations was declared at the end of last century. The present state of the domestic economy evidenced that without scientific justification and mechanisms of implementation of effective solutions, which are required to solve this problem, it is almost impossible. It is therefore particularly important to acquire research and development, which are aimed at the study of the role of innovation in a market economy. The main consequence of ignoring innovation factor of economic growth throughout the period of the state development in terms of independence became a deep systemic economic crisis in the country, particularly in research and innovation field.

All this requires the fast development of a new paradigm of transformation and further development of Ukraine's economy based on innovation component.

*Analysis of recent research and publications.* A wide range of innovative development of economic systems is considered in modern research. This issue is dedicated to the research and development of famous Ukrainian and Russian scientists: Androshchuk G.A., Abalkina L.I., Amosha O.I., Antoniuk L.L., Aptekar S.S., Bagrova I.V. [1], Bazhala Y.M., Burkinskiy B.V., Halchynskiy A.S., Heyets V.M., Glazyev S.V., Goncharova N.P., Grynyova V.P., Yegorov I.Y., Zavlina P.N., Ivanova N.I., Kavtysh O.P. [3], Karpun I.N.[4], Kuzmin O.E., Krasovsky O. [5], Lukinova I.I., Mamutov V.K., Osyka A.P., Poruchnyk A.M., Sokolenko S.I., Solovieva V.P., Hobta V.M., Chernega A.B., Chukhno A.A., Shvydanenko G.A., Shubin A.A., Yakovlev A.I., Yakovets Y.V. and many others.

A significant contribution to the development of this subject was made by foreign economists: M. Brown, J. Works, K. Watson Hemphill, D. Gunn, E. Denison, M. George, M. Dohson, P. Drucker, Ch. Edkvist, K. Christenson [9], R. Lucas, M. McCaun, R. Nelson, M. Porter, K. Prahalad, T. O'Relli [10], E. Roth, A. Salter, B. Santo, D. Scott, S. Stern, M. Stefik, J. Strand, B. Twiss, G. Timmons [11], C. Winter, R. Foster, C. Freeman, G. Hamel, G. Chesbrow [8], R. Shelton, J. Schumpeter [7] and many others. Despite the significant number of scientific papers and publications on various aspects of the innovation process, a number of innovative entrepreneurship issues is still not developed. There are no comprehensive studies aimed at transferring the economy on the path of innovative development and most developments are fragmented.

An overcoming of the economic crisis and the crisis in science and innovation is possible only through the expanded reproduction of the innovation process and the commercialization of the latest developments in all areas of public life. This process necessitates the compilation, systematization and deepening of scientific research on innovation development of economy of Ukraine and introduction of these results in practice.

Therefore *the purpose of research* is an essence of innovative business based on the latest economic concepts; study its role in economic reconstruction, factors of its formation and promotion and development of theoretical and methodological provisions and mechanism of regulation in Ukraine.

*Research results.* The innovative changes form effective internal energy development in the economic system, generate strong momentum of economic growth, provide a synergistic effect, create conditions for transition of the economic system in new quality. They are the key section, the source of transformation and sustained economic development. An economic growth is based on deep qualitative changes in the system of social production, which is generated by innovative entrepreneurship. It is a condition for a reliable, guaranteed high and sustainable economic growth. This dynamic is rightly called a development. A summary of scientific sources makes it possible to clarify concepts and categories of the theory of innovative businesses, in particular, give the author's definition of the essence of some categories of "innovation" as a result of the increment of knowledge in mental activities that are in the process of commercialization of competitive products; "Innovative Entrepreneurship" as the creation and development of new business or expanding an existing system through the application of innovation and "innovation process" as a sequential chain of events in which the novelty of the idea turns into a design and appear as specific products, technologies or services.

The systematization of the scientific views on the nature and displays of innovation has led to the need to supplement their classification with regard to the level of science and technology and the need to establish an effective mechanism of state support of innovation business by introducing new criterion characteristics: the degree of commercialization (introduced innovations, partially implemented and the initial implementation) ; development costs (high, medium and moderate level); duration of use (long, medium, short, single) and the degree of openness of scientific and technological cooperation participants in the innovation process (open and closed innovation).

Innovative entrepreneurship as a systemic economic phenomenon has to use different mechanisms for managing the innovation process, depending on the group, which includes innovation, while taking into account that every innovation can be characterized by several classification criteria.

The need of developing effective system of innovative entrepreneurship in Ukraine led to the need for establishing its subjects and objects, principles of its formation and functioning. As a result of the activity of innovative entrepreneurship individuals appears the object of innovative business, that product, on which the economic, legal, financial and other relationships between subjects of innovative entrepreneurship appear. An important role in the knowledge-intensive, complex innovative ideas into market economy belongs to the association of businesses, consortiums, concerns, holdings, financial and industrial groups, venture capital, engineering firms, technology parks, incubators, techno and other associations and unions of legal entities. Among the individuals who play the significant role in the innovation process, the organizations, which collect, systematize and analyze information in the field of scientific and technological progress and innovation expertise, proposals and programs, certification of high-tech products, promote innovation at regional, interregional and the foreign market, carry out advertising and exhibition activities, protection of intellectual property should be noted. At present time there is an urgent problem of the modern national information system, integrated into the international system, which would meet the demands and needs of innovative entrepreneurship in the country.

Summary of research achievements on methodology of innovation, allows concluding that at the current stage of development of Ukraine cooperation between subjects and objects of innovative entrepreneurship should be based on principles that would form the strategy and tactics aimed at overcoming the economic crisis. It is substantiated that innovative entrepreneurship should be based on the following key principles: consistency, complexity, manageability, commitment, continuity, timeliness, optimality, continuity, consistency, irreversibility, justified risk and maximum consideration of the interests of the innovation process.

Considering the goals and objectives of socio-economic development of Ukraine at this point of history, the main objective is to create a national innovation system. In our opinion, should be priorities for overcoming the crisis in all spheres of economy and social life, providing stable, guaranteed rates of economic growth in the short and long term through innovation, cutting-edge of science and technology, and on this basis to raise the standard of living to European standards.

The study of the legal regulation of innovative entrepreneurship proved that weighing the significance of the innovation factor for socio-economic development of Ukraine, formation of legal framework regulating system innovation is a priority of state regulatory policy. It is also one of the main indirect methods of state regulation of innovative entrepreneurship. Building such system legal framework is an important precondition for the implementation of innovative development of national economy at present and the most important component of the national innovation system.

It is noted that, despite the legally stipulated mechanism to stimulate innovation, full (or partial) interest-free loans (in terms of inflation indexation) priority innovation projects from the state budget of Ukraine and local budgets is almost absent under the Law of Ukraine "On innovation activity"; state guarantees to commercial banks that lending to priority innovation projects are not provided; property insurance implementation of innovative projects under the Law of Ukraine "On insurance" is not implemented. State budget funds are almost entirely excluded from the mechanism of stimulation of innovative entrepreneurship.

Comparison of mechanisms of tax credit in foreign countries and preferential tax profit from innovation in Ukraine revealed their fundamental difference. As the experience of industrialized countries proves, companies, which are spending on innovation, are entitled to take advantage of the tax credit, while the Ukrainian business, having registered an innovative project, must first qualify for exemption from income tax, and only then can spend on innovation.

Research of the respect of the rules, established by the legislation, showed that Ukraine as a legal state has not yet formed. Ignoring legislation in the research and innovation field indicates a poor orientation of the executive and legislative authorities in priorities for science and technology, lack of understanding of its importance for innovation factor in the socioeconomic development of the economy, manifested primarily in the lack of financial support for scientific and technological activities, including its priority areas. Identified priority laws of science and innovation sphere were never sufficient funded in our state.

It should be emphasized that the law remains unsettled issues of transfer of scientific research, new technologies, inventions from academic, university and science to the business sector, as well as the insurance of innovative risks, commercialization of scientific and technological development, preferential taxation of investments in innovation sphere. Comparing with developed countries, there is no modern infrastructure innovation sphere in Ukraine that does not contribute to increased financial flows directed to it. Although in the management of scientific, technical and innovative activities has such intermediary link created, as innovative companies, still there is a lack of sufficient intermediaries, who have served commercialization of R&D results and formed the modern market of scientific and technical products. The study found that at present the only universally methodological approach to the formation of financial and economic regulation mechanism of innovative business in Ukraine does not exist, which in turn negatively affects the practical solution of this issue and improve the efficiency and effectiveness of innovation in the country.

Among the reasons that lead to poor funding of innovation, the underdevelopment and lack of integrated use of all possible sources of investment, including depreciation should be noted. As the domestic and international experience, amortization policy in Ukraine requires adjustment. It is proved that it is necessary to restrict state regulation of depreciation policy, giving companies - innovators right to choose the method of calculating depreciation for each of the equipment and determine its terms of service, standards setting limits depreciation for certain types of equipment.

To diversify sources of financing innovation through wider use of foreign investment in high-tech sectors is proposed to expand forms of involvement, using for this purpose concession contracts. For these purposes it is necessary to use the law set conditions for conclusion of production sharing agreements using investments from various sources. According to the thesis, it is also necessary to take measures to stabilize the Ukrainian securities market, development of information, marketing and consulting providing innovative investment programs and projects.

Investigation of financial and economic mechanism of innovative business in Ukraine allowed to form the main directions of its development: firstly, the creation of favorable legal environment for financial and credit institutions, which finance innovation; secondly, to ensure favorable organizational and legal conditions for venture investment and insurance companies credit risk in innovative entrepreneurship; thirdly, the definition of the public investment program, which has innovative direction and control over its implementation.

In economic mechanism of regulation of innovative entrepreneurship in terms of establishment and development of market economy, the most important challenges are the organization, planning, promotion of the innovation process, pricing on innovative products and more. For their solution a variety of methods and instruments can be used, but they should be individual for each of the successive stages of production innovations and their materialization and promotion of domestic and world market of goods and services. It is also necessary to solve organizational issues of formation of property relations in the scientific field, organization of public and private research organizations, the conditions of their partnership with the state, the commercialization of research, development of small businesses in innovative spheres.

The imperfect tax regulations of innovative activity, which leads to the abuse, triggered the decision to repeal legislative provisions on preferential treatment. It is proposed to introduce a differentiated approach to setting preferences for the stages of the innovation process. At the stage of conducting a basic research, applied scientific research, design, producing of industrial prototypes of new techniques and technologies is appropriate in addition to direct state funding to introduce tax breaks for businesses of different ownership. In later stages of the innovation process associated with the commercialization of innovations is appropriate to grant the tax credit.

It is determined, that the achievement of strategic goals of introducing innovative model of economic development of the Ukrainian economy involves the implementation of a complex system, reasonable measures theoretical, methodological and practical guidance on the establishment and functioning of the national innovation system. In terms of economic theory and practice in defining the problem is evaluating the economic efficiency of innovation.

*Conclusions and directions for future research.* Conceptual Framework for innovative entrepreneurship shows that in the present context of globalization of the world economy the paradigm of business is changing, the transition to an innovative form as its dominant phenomenon behavior of enterprises is happening. This growth, which is based on deep qualitative changes in the system of social production due to innovative business and supported by strong investment base, is rightly called development. Understanding the need for further improvement of conceptual and categorical apparatus of theories innovative business copyright definition of the nature of some categories of "innovation" as a result of the increment of knowledge of mental talents that are in the process of commercialization of competitive products is offered; "Innovative Entrepreneurship" as the creation and development of new business or expanding an existing system through the application of innovation and "innovation process" is the sequential chain of events in which the novelty of the idea turns into a design and appear as specific products, technologies or services.

Summary of scientific approaches makes it possible to systematize the innovation classification on the following criteria: STP stages, degree of innovation, the pace of implementation, scope of use, international standards, sources of funding and scope of implementing. Taking into account the current level of science and technology and the needs of the formation of an effective mechanism of state support of innovation, business innovation is improved through classification criterion introduction of new features: the degree of commercialization (innovation and implemented the initial phase of implementation); development costs (high, medium and moderate level); duration of use (long, medium, short, single) and the degree of openness of scientific and technological cooperation participants in the innovation process (open and closed innovation), that will enhance the innovative ability of high-tech enterprises. As a systemic economic phenomenon, innovative enterprise should use different mechanisms for managing the innovation process, depending on the group, which includes innovation, while taking into account that every innovation can be characterized by several classification criteria.

Identified determinants and contemporary requirements to the legal mechanism for regulating research and innovation activities include legislative regulation of the transfer of scientific research, new technologies, inventions from academic, university and science to the business sector and insurance of innovative risks, commercialization of scientific and technical developments, and tax investment in innovation sphere. Comparing the mechanism of tax credit in foreign countries with a mechanism of preferential tax profit from innovation in Ukraine, it is shown that in industrialized countries, enterprises receive a tax credit, making investments innovation, while in Ukraine the company must first qualify for tax-exempt income innovative project, and then to ensure the financing of it. In further studies international aspects of business innovation will be analyzed, the international experience and determined the prospects of its use for innovation business development in Ukraine will be highlighted.

Reference

1. Bahrova I.V. Natsional’na innovatsijna systema Ukrainy: kharakterystyka ta problemy stanovlennia / I. V. Bahrova, O. L. Cherevko // Visnyk DDFA. — 2010. — №2 (24). — S. 81 — 90.

2. Innovatsijna diial’nist’ promyslovykh pidpryiemstv Ukrainy u 2013 rotsi». Dopovid’ Derzhavnoi Sluzhby Statystyky Ukrainy [Elektronnyj resurs] — Rezhym dostupu: http://ukrstat.org/uk/druk/publicat/kat\_u/publnauka\_u.htm

3. Kavtysh O.P. Teoretyko-metodolohichni pidkhody do vyznachennia natsional’noi innovatsijnoi systemy / O.P. Kavtysh, A.V. Hrechko // Innovatsijna ekonomika. Vseukrains’kyj naukovo-vyrobnychyj zhurnal. — 2011. — № 2. — S. 223—228.

4. Karpun’ I.N. Struktura i seredovysche natsional’noi innovatsijnoi systemy Ukrainy / I.N. Karpun’ // Naukovyj visnyk NLTU Ukrainy. 2010. — Vyp. 20.14 — S. 193 — 200.

5. Krasovskaja O., Griga B. Innovacii v vostochnoj Evrope i central’noj Azii — napravlenija sotrudnichestva. Chast’ 1 // Problemi nauki. — 2011. — № 8. — S. 36—42.

6. Podhody k ocenke jeffektivnosti funkcionirovanija ob’ektov innovacionnoj infrastruktury v Rossii [Tekst] / V. A. Barinova [i dr.] // Innovacii. — 2014. — № 3. — S. 42—51.

7. Shumpeter J. Teorija jekonomicheskogo razvitija. Kapitalizm, socializm i demokratija. / Jozef Shumpeter. — M/: Jeksmo, 2007. — 864 s.

8. Chesbrough H. The role of the business model in capturing value from innovation: evidence from Xerox Corporation’s technology spin-off companies / H. Chesbrough, R. Rosenbloom // Industrial and Corporate Change. — 2002. — №11(3). — P. 529—555.

9. Christensen C. M. The Innovator’s Dilemma: The Revolutionary Book That Will Change the Way You Do Business / Christensen Clayton M. — HarperBusiness; Reprint edition. — 2001. — 336 p.

10. O’Reilly T. How do we measure innovation? / Tim O’Reilly // [Electronic recourse]. — Accessed mode : http://radar.oreilly.com/2010/03/how-do-we-measure-innovation.htm [March 26, 2010].

11. Timmons J. A. New venture creation: entrepreneurship for the 21st century / Jeffry A. Timmons, Stephen Spinelli. — McGraw-Hill/Irwin, 2004. — 700 p