



WAYS OF FINANCING INNOVATION ACTIVITIES THROUGH INVESTMENTS

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Abstract: *The development of innovative activity is one of the main factors ensuring the sustainable growth of the modern economy. The successful implementation of innovative processes depends, first of all, on the adequacy and efficiency of their financing sources. This article analyzes the ways of financing innovative activity through investments, their economic significance and practical mechanisms. The study highlights the role of state investments, private sector funds, foreign investments and venture financing in supporting innovative activity. It also examines the impact of the investment environment on innovative processes and factors for increasing the efficiency of financing. The results of the study show that financing innovative activity through investments is of great importance in increasing economic competitiveness and ensuring long-term sustainable development.*

Keywords: *innovative activity, investments, financing of innovations, investment sources, venture capital, state investments, private sector investments, economic competitiveness.*

Introduction. In the modern economy, innovative activity is emerging as one of the main driving forces of economic growth. The acceleration of scientific and technological progress, the intensification of the competitive environment, and the processes of integration with global markets have made innovation an important

factor of economic development¹. Therefore, the issues of supporting innovative activities and their effective financing are one of the priority areas of state and private sector policy.

A specific feature of innovative activities is that they are associated with a high level of risk, long-term effectiveness and significant financial costs. Traditional sources of financing in many cases cannot fully cover these features of innovative projects. Therefore, the problem of financing innovative activities through investments is of particular scientific and practical importance².

Investments form the material basis of innovative processes, allow for research and development, the creation of new technologies and their introduction into production. Public investments, private sector funds, foreign investments and venture capital are considered the main sources of financing innovative activities. These sources, in combination with each other, ensure the sustainable functioning of the innovation system³.

At the same time, the effectiveness of financing innovative activities through investments directly depends on the investment climate, institutional structure and consistency of economic policy in the country. A favorable legal and regulatory framework, developed financial markets and incentive mechanisms created for investors contribute to an increase in the volume of investments directed to innovative projects.

This article analyzes the ways of financing innovative activities through investments, their economic significance and practical mechanisms. It also highlights the role of various investment sources in supporting innovative activities and issues of increasing their effectiveness.

Adabiyotlar sharhi. The issue of financing innovative activities through investments has long been considered one of the important research areas in the

¹ Schumpeter J. The Theory of Economic Development. Harvard University Press, 1934.

² OECD. Innovation and Investment Policy. Paris, 2018.

³ World Bank. *Innovation, Investment and Growth*. Washington DC, 2020.

economic literature. Scientific research interprets innovations as a key source of economic growth, and emphasizes that their successful development depends on the availability and effective allocation of financial resources. In particular, since innovative processes are characterized by high risk and long-term effectiveness, their financing requires approaches that differ from traditional investment mechanisms⁴.

A number of studies emphasize the role of public investment in financing innovation activities. It is noted that public funds are important in supporting research and development, fundamental research, and high-risk early stage innovation projects. According to this approach, public investment serves as a guarantee and incentive for the private sector to a certain extent. At the same time, private sector investment is considered in the scientific literature as an important source of financing at the practical stages of innovation activities. Private investors, as a rule, give priority to innovative projects that have the potential for commercialization. This contributes to the faster entry of innovations into the market and increased economic efficiency⁵.

Separate studies are devoted to the role of venture capital in financing innovative activities. In this literature, venture financing is considered one of the most suitable mechanisms for innovative startups and high-tech projects. The fact that venture investors provide not only financial resources, but also management experience and business contacts is shown as a factor increasing the success of innovative activities⁶.

Summarizing the existing scientific literature, it can be said that the process of financing innovative activities through investments has a multi-source and complex system, the effectiveness of which directly depends on state policy, the development of financial markets and the institutional environment. Therefore, the analysis of the mechanisms of financing innovative activities based on an integrated approach is scientifically relevant.

⁴ Schumpeter J. *The Theory of Economic Development*. Harvard University Press, 1934.

⁵ OECD. *Financing Innovation*. Paris, 2019.

⁶ Gompers P., Lerner J. *The Venture Capital Cycle*. MIT Press, 2004.

Research methodology. In this study, general scientific and special research methods were used to study ways of financing innovative activities through investments and assess their economic efficiency. In the course of the research, the relationship between innovative activities and investment processes was analyzed based on a systematic approach.

During the scientific research, logical analysis and synthesis methods were used, theoretical views on financing innovative activities were summarized and the main conclusions were formulated. Using the comparative analysis method, investment mechanisms used in financing innovative projects in different countries were compared and their similarities and differences were identified⁷.

The study used secondary sources of information as the main database. In particular, official reports, statistical data and scientific publications published by international organizations, financial institutions and scientific research centers were analyzed. Based on this data, general conclusions were drawn using induction and deduction methods.

Also, using classification and grouping methods, sources of financing for innovative activities (public investments, private sector funds, foreign investments and venture capital) were divided into separate groups and the role of each of them in the innovation process was assessed. The reliability of the research results was ensured based on the principles of scientific impartiality, logical consistency and objectivity⁸.

Analysis and results. The results of the study showed that financing innovative activities through investments is of great importance in increasing economic growth and competitiveness. Investments in innovative projects contribute to the activation of scientific and research work, the development of new technologies and their

⁷ Creswell J.W. *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Sage Publications, 2018.

⁸ OECD. *Innovation Policy and Investment*. Paris, 2020.

implementation in practice. In particular, diversification of financing sources is an important factor in ensuring the sustainability of innovative processes. The analysis shows that in financing innovative activities, public investments, private sector funds and venture capital act as complementary mechanisms. The combination of these sources increases the efficiency of innovative projects and accelerates their entry into the market.

Table 1

Sources of financing for innovative activities and their impact

Source of funding	Main direction	Impact on innovation activity
Public investments	Research and development, initial projects	Activates innovation processes
Private sector investment	Commercialization, production	Increases efficiency and speed to market
Venture capital	Startups, high-tech	Provides high innovative activity
Foreign investments	Technology transfer	Increases innovative potential

As can be seen from the table, financing of innovative activities through investments is multi-source. Public investments mainly support the initial stages of innovative processes and reduce high risks. Private sector investments accelerate the market entry of innovative products, while venture capital plays a decisive role in the development of high-tech and startup projects. Foreign investments, on the other hand, expand the innovative potential through technology transfer and increase the overall efficiency of innovative activities in the national economy.

Conclusions and recommendations. The results of the study confirm that financing innovative activities through investments is one of the main factors ensuring sustainable growth in the modern economy. Since the processes of creating

innovations and implementing them in practice require significant financial resources, it is almost impossible to ensure innovative development without investments⁹. In this regard, investments form the material and institutional basis of innovative activity. The study found that in financing innovative activity, public investments, private sector funds, foreign investments and venture capital appear as complementary mechanisms. Public investments stimulate innovative processes by supporting research and development and high-risk initial innovative projects¹⁰. Private sector investments ensure the commercialization of innovations and their rapid market entry.

Foreign investments also play an important role in financing innovation activities through technology transfer and the introduction of advanced management experience. This contributes to the development of the national innovation system and increased international competitiveness¹¹. Venture capital, despite its high risk, stands out as a crucial source of financing for the development of innovative startups and high-tech projects.

Based on the conclusions obtained, it is advisable to put forward the following proposals. First, it is necessary to conduct state policy aimed at financing innovative activities on the basis of a more consistent and long-term strategy. Second, it is important to create a favorable investment environment for private and foreign investors, ensure legal stability and transparency. Third, it is advisable to increase innovative activity by developing venture financing mechanisms and supporting startups. Fourth, strengthening public-private cooperation in financing innovative activities will increase the effectiveness of innovative projects.

In conclusion, financing innovative activities through investments is an important condition for ensuring economic growth, competitiveness and technological progress. A consistent and well-thought-out policy in this direction will serve the long-term sustainable development of the national economy.

⁹ Schumpeter J. The Theory of Economic Development. Harvard University Press, 1934.

¹⁰ OECD. Innovation, Investment and Inclusive Growth. Paris, 2018.

¹¹ World Bank. Innovation and Technology for Development. Washington DC, 2021.

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