MAIN CHARACTERISTICS AND COMPOSITION OF INNOVATIVE DEVELOPMENT IN THE WORLD ECONOMY

Zakirova Sayyora Alimovna

Associate Professor of the University of World Economy and Diplomacy, Candidate of Economic Sciences

Khamraeva Akida Sadullaevna

Student of the University of World Economy and Diplomacy,

e-mail: aqidabollieva@gmail.com

ABSTRACT: *In the contemporary global economy, innovative development has emerged as a key driver of economic growth and competitiveness. This abstract aims to explore the main characteristics and composition of innovative development within the world economy. It delves into the essential elements defining innovative development, including technological advancements, research and development initiatives, entrepreneurial activities, and adopting new business models. The abstract also examines the role of innovation in fostering sustainable economic progress, addressing societal challenges, and creating opportunities for diverse stakeholders. By analyzing the composition of innovative development, this abstract seeks to provide insights into the evolving dynamics of the world economy and the critical factors shaping its future trajectory.*

Keywords: *innovative development, research and development investment, economic competitiveness, global marketplace, innovative economy, human capital development, entrepreneurship.*

Innovative development in the world economy refers to creating and implementing new ideas, technologies, products, and processes that drive economic growth, competitiveness, and societal progress. It involves the continuous improvement and transformation of industries, businesses, and economies by applying creativity, research, and development. Innovative

development encompasses a wide range of activities, including technological advancements, entrepreneurship, R&D investment, and the adoption of new business models.

Key characteristics of innovative development in the world economy include:

1. Emphasis on Technology and Knowledge-Based Industries: Innovative economies place a strong emphasis on technology and knowledge-based industries. They recognize the importance of sectors such as information technology, biotechnology, pharmaceuticals, renewable energy, and advanced manufacturing in driving economic growth and competitiveness. These industries often require high levels of research and development (R&D) investment and are characterized by rapid technological advancements.[1] The rapid pace of technological innovation drives economic progress by enabling the creation of new products, services, and industries. Technologies such as artificial intelligence, biotechnology, and renewable energy have the potential to revolutionize various sectors and contribute to economic growth. Technology helps to get enough knowledge about the use of economic resources to produce goods and services more efficiently. Economic growth has increased and is becoming efficient due to the advancement of technologies. In business, starting from production the profit of the business got advanced due to technologies. It has also helped in spreading the business all over the world. Technological advancement also brings a change in the total productivity of the business which is positive. A good change is good for the business for the productivity and the profit of the business. An improvement in technology results 13 in a requirement for less costly inputs. Rapid growth can be achieved through high technology levels. (Figure 1) Technology is the primary source of innovative economic development, and the development of various technologies is very important for the growth of underdeveloped countries. Innovative economic development also deals with the social well-being of people and the economic growth of market production.

[1] Science, Technology and Innovation in the New Economy, Policy brief

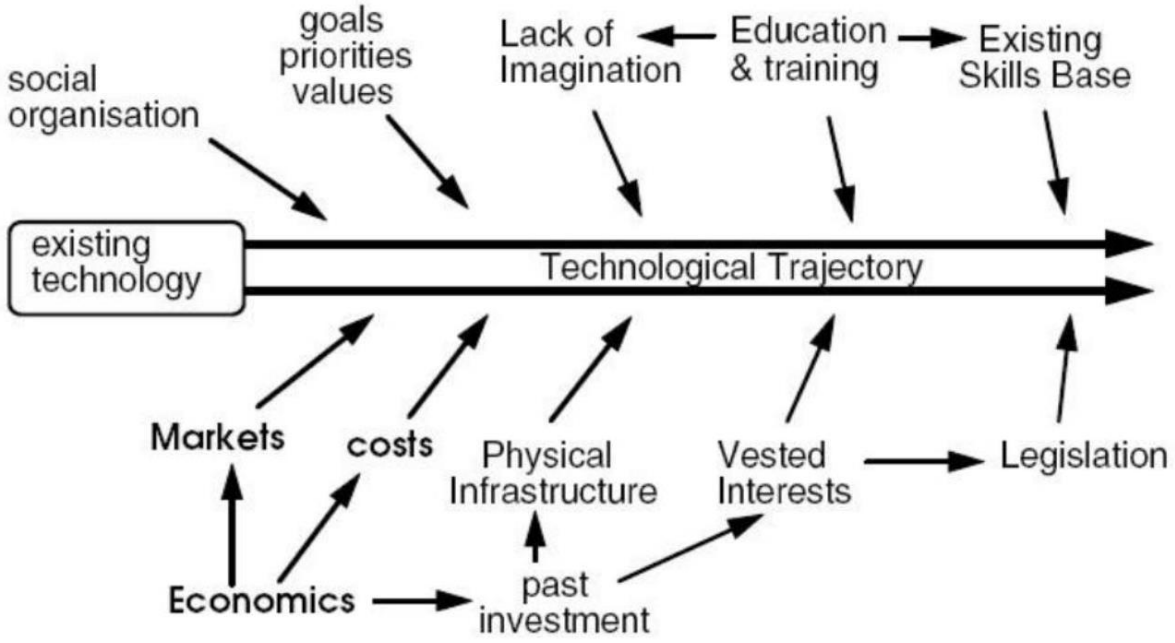

Figure 1: Factors that determine the direction of technological innovation vector (Beder S.)[2]

Today's customers expect the same kind of experience in a professional environment that they have with technology in their personal lives. But for a business, this can be challenging to achieve. There have never been more choices, both in terms of how and where to deliver applications from, and who to partner with in the delivery of services. Digital transformation provides a valuable opportunity for core business functions, such as finance and HR, to move away from manual processes and automate key areas like payroll, enabling leaders to focus on wider business opportunities. Technology is having profound effects on labor markets. Automation and digital advances are shifting labor demand away from routine low- to middle-level skills to higher-level and more sophisticated analytical, technical, and managerial skills. On the supply side, however, equipping workers with skills that complement the new technologies has lagged, hindering the broader diffusion of innovation within economies. Education and training have been losing the race with technology.

Most major economies face the challenge of aging populations. Many of them are also seeing a leveling off of gains in labor force participation rates and

[2] https://www.researchgate.net/figure/Factors-which-determine-the-direction-of-technological-innovation-vector-Beder-S-2000_fig4_267748514

basic education attainments of the population. These trends put an even greater focus on productivity and technological innovations that drive it to deliver economic growth. The growth of net national income in developed countries cannot be claimed to have been due to capital alone. Kindleberger observed that a major part of this increased productivity is due to technological changes. Robert Solow estimated that technological change accounted for about 2/3 of the growth of the U.S. economy; after allowing for growth in the labor force and capital stock. Technology can be regarded as a primary source of economic development (Figure 2) and the various technological changes contribute significantly to the development of underdeveloped countries. The impact of technological change on production functions can be illustrated with the help of the following diagrams.

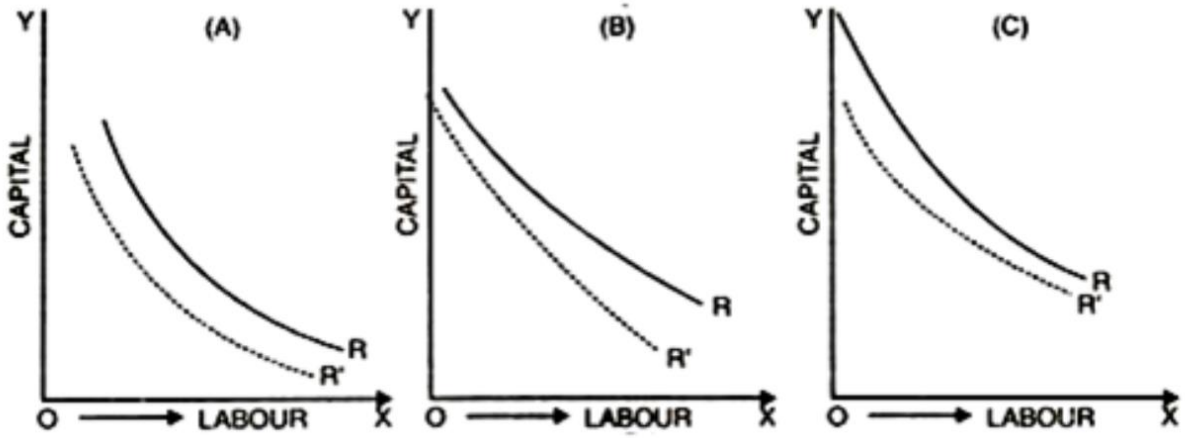

Figure 2: The impact of technology on economic development[3]

In the above figures 1 to 3 R' is an isoquant of production function before technological change and R' represents the same quantities output after the innovation in the first figure. Innovation is neutral concerning labor and capital. The new production function R shows that the same output can be produced with less labor and less capital after technological advancement.

The second figure shows that innovation is labor-saving and R' shows that the same output can be produced with lesser inputs but the saving of labor is greater than that of capital. The third figure shows that the innovation is capital saving and R' shows that the same output can be produced by fewer inputs after technological

[3] https://www.economicsdiscussion.net/articles/role-of-technology-in-economic-development/4455

change but saving of capital is greater than that of labor.

2. Investment in Research and Development: One of the key characteristics of innovative economies is their significant investment in research and development. Governments, private companies, and academic institutions allocate substantial resources to R&D activities to drive technological advancements, create new products and services, and maintain a competitive edge in the global marketplace. [4]

This investment often leads to breakthrough innovations that have far-reaching impacts on various industries and society. Investment in research and development (R&D) is a key characteristic of innovative economies because it fosters a culture of continuous improvement, drives technological advancement, and contributes to sustained economic growth.

Here's a further explanation of how investment in R&D key characteristics of innovative economies are:

• Technological Advancement: Innovative economies prioritize R&D investment to drive technological advancement. By allocating resources to R&D, businesses, and institutions engage in the exploration of new technologies, processes, and scientific discoveries. This leads to the development of cutting-edge products, services, and solutions that can transform industries and improve quality of life.

• Knowledge Creation and Transfer: R&D investment facilitates the creation and transfer of knowledge within an economy.[5] Through research initiatives, new insights, discoveries, and intellectual property are generated, contributing to the expansion of a country's knowledge base. This knowledge can then be shared and leveraged by businesses, educational institutions, and other organizations to drive innovation across various sectors.

• Economic Competitiveness: Innovative economies recognize that R&D investment is essential for maintaining global competitiveness. By continuously investing in R&D, countries can stay ahead of technological advancements and

[4] What Is Research and Development (R&D), Will Kenton
[5] Advance Research and Development, Technology, and Innovation, chapter 8

market trends, positioning themselves as leaders in innovation. This can attract foreign investment, foster the growth of high-tech industries, and enhance a nation's overall economic competitiveness on the global stage.

• Human Capital Development: R&D investment plays a crucial role in developing human capital within an economy. It supports the training and development of skilled researchers, scientists, engineers, and innovators who contribute to the advancement of knowledge and the creation of new technologies. This, in turn, enhances the talent pool available to businesses and institutions, driving further innovation and economic growth.

• Long-Term Growth and Sustainability: Innovative economies understand that sustained R&D investment is essential for long-term economic growth and sustainability. By continuously pushing the boundaries of knowledge and technology, countries can drive productivity gains, create new industries, and address societal challenges such as healthcare, environmental sustainability, and energy efficiency.

• Collaboration and Partnerships: R&D investment fosters collaboration and partnerships among businesses, academic institutions, government agencies, and other stakeholders. This collaborative approach allows for the pooling of resources, expertise, and insights to tackle complex challenges and drive innovation at a larger scale.

3. Entrepreneurship and Innovation Culture: Innovative economies foster a culture of entrepreneurship, creativity, and innovation. They support and incentivize individuals and businesses to develop new ideas, products, and services. This culture encourages risk-taking, experimentation, and the pursuit of disruptive innovations that can transform industries and create new markets. Governments often provide support through funding programs, tax incentives, and regulatory frameworks that facilitate entrepreneurship and innovation.[6] The rise of entrepreneurial ventures and start-up ecosystems fosters innovation by introducing disruptive ideas and business models. These initiatives often bring fresh

[6] https://www.imd.org/blog/innovation/importance-of-innovation-in-business/

perspectives and agile approaches to addressing market needs and driving economic change. Innovative development in the world economy often involves cross-border collaboration and knowledge sharing. International partnerships, joint ventures, and global networks facilitate the exchange of ideas, expertise, and resources to drive innovation on a global scale. The development of entrepreneurship is of great importance in the innovative development of economics and affects the growth rate of industrial production. Entrepreneurial activity is the basis of the innovative, productive nature of the economy. The more economic entities can show their initiative and creativity, the smaller the gap between potential and actual development results.[7] Entrepreneurship contributes to the development of new promising industries and the washing out of obsolete ones. In addition, entrepreneurial activity serves as the core of the development of competition and "marketization" of the economy, strengthening the "openness" of the national economy, and the development of the import and export of capital. Entrepreneurship develops through the market, competition, and connections between business entities. So, we can conclude that entrepreneurship as a business entity and a special, creative type of economic behavior is a means of achieving all the factors of economic success. Autonomy and independence of subjects are one of the main signs of entrepreneurial activity. The behavior of business entities is driven by internal motivations. Entrepreneurs resolve all issues regarding their activities based on economic benefits and market conditions. A distinctive feature of entrepreneurs is independence. It is also important to have economic interest and responsibility. After all, the driving factor of entrepreneurial activity is personal gain. But in addition to its interests, an economic entity also works for public interests.

Today, the personal interest of an entrepreneur is associated with the collective interest of a firm or company. If there is independence, the entrepreneur bears personal responsibility for the results of his activities. Interest and responsibility require working hard. It is impossible to imagine entrepreneurial

[7] https://www.investopedia.com/articles/personal-finance/101414/why-entrepreneurs-are-important-economy.asp

activity without innovation and creative exploration. High-quality and frequent product updates increase operational efficiency. The ability to make non-standard decisions and a creative approach to assessing a situation are very important in entrepreneurial activity. An entrepreneur needs to constantly look for a client, money, currency, materials, transport, premises, contracts, connections, the right people, documents, and workarounds. That is why business entities often do not have enough time, and they try to do several things at the same time. A calm, quiet, measured life is not inherent in an entrepreneur. One of the features of entrepreneurship is the presence of economic risk. Risk is inextricably linked to business. When an entrepreneur is often in risky situations, he develops a special way of thinking and behaving, and the psychology of an entrepreneur is formed. To “survive” an entrepreneur must have high efficiency, dynamism, and a competitive spirit. This activity is characterized by frequent ups and downs. The next distinctive feature of entrepreneurship that we will consider is that it belongs to relatively short-term, tactical methods of action. In the narrow sense of the word, entrepreneurial activity does not directly relate to an economic strategy designed for a long-term period. However, even in strategic projects entrepreneurial ideas and isolated pockets of entrepreneurship may be present. For example, if a long-term project is aimed at making a profit, involves risk and responsibility, and is not based on trivial ideas, it can be called entrepreneurial. But often entrepreneurial actions fit into relatively short-term transactions.

Literature:

1. Costing the Earth: Equity, Sustainable Development and Environmental Economics, Sharon Beder, 2000
2. Science, Technology and Innovation in the New Economy, Policy brief
3. https://www.researchgate.net/figure/Factors-which-determine-the-direction-of-technological-innovation-vector-Beder-S-2000_fig4_267748514
4. https://www.economicsdiscussion.net/articles/role-of-technology-in-economic-development/4455
5. What Is Research and Development (R&D), Will Kenton

6. Advance Research and Development, Technology, and Innovation, chapter 8
7. https://www.imd.org/blog/innovation/importance-of-innovation-in-business/
8. https://www.investopedia.com/articles/personal-finance/101414/why-entrepreneurs-are-important-economy.asp