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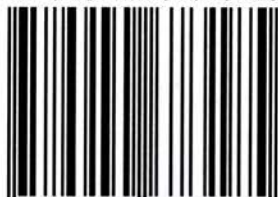
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EFFICIENCY OF INNOVATION ACTIVITY FUNDING AS THE DRIVER OF THE STATE'S NATIONAL ECONOMIC SECURITY (CASE OF UKRAINE)*

Denys Smolennikov, PhD in Economics, Senior Lecturer

Management Department, Sumy State University, Sumy, Ukraine, e-mail: dos@management.sumdu.edu.ua

Research interests: sustainable development, social and environmental responsibility, energy security

Liudmyla Zakharkina, PhD in Economics, Associate Professor

Finance and Entrepreneurship Department, Sumy State University, Sumy, Ukraine

e-mail: l.zaharkina@finance.sumdu.edu.ua

Research interests: innovative development of an enterprise, investment activity of an enterprise, taxes

Iuliia Myroshnychenko, PhD in Economics, Associate Professor

Management Department, Sumy State University, Sumy, Ukraine,

e-mail: myroshnychenko@management.sumdu.edu.ua

Research interests: institutional analysis, corruption, modeling of macro- and microeconomic processes, investment strategies

Svitlana Pokhylko, PhD in Economics, Associate Professor

Finance and Entrepreneurship Department, Sumy State University, Sumy, Ukraine,

e-mail: s.pokhylko@finance.sumdu.edu.ua

Research interests: investment and financial mechanisms of regulating natural resource usage, social insurance, pension reform

Abstract

The issue of economic security does not cease to be one of the priorities in forming macroeconomic policy of developing countries. This issue is particularly topical in the context of current challenges at the regional, European and global levels. One of the effective ways to increase economic security can be the innovative vector of economic development and the maximum application of scientific and innovative potential in all sectors of national economy. The study is devoted to the analysis of impact of innovative activity of enterprises on the level of economic security in the context of sustainable socio-economic development of the country. The existence of a relationship between economic growth and the level of innovation activity has been proved by many researchers (Barnett, 1960; T.C.R. van Someren and S. van Someren-Wang, 2013; Weiss, 2014; Leyden, 2016). Some Ukrainian researchers developed scientific approaches for assessing the impact of innovative development on the state economic security (Pabat, 2012; Loyko, 2015; Lyulyov and Shvindina, 2017; Vasylieva and Kasyanenko, 2013). However, there is a lack of formalized studies that outline the most important sectors of innovation activity for a rapid economic security growth as well as point the ways how to stimulate innovation activity and maximize its growth. As described by Varenyk (2016), economic security of Ukraine can be estimated in two ways: 1. using the Methodological Recommendations on calculating the level of economic security of Ukraine, approved by the order of the Ministry of Economic Development and

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Trade of Ukraine (2013); and 2. according to the Global Competitiveness Index (The Global Competitiveness Report, 2017-2018). According to the first approach and findings by Bogma (2006), the overall level of economic security has a negative tendency to decrease. The same findings were received analyzing Global Competitiveness Index of Ukraine. And the most problematic are the factors of the latest technologies availability and development, the factor of foreign direct investment attraction, the state of cluster development, and government procurement of advanced technology products. Only one indicator (the indicator of the scientists' and engineers' availability) is quite high.

Ukraine is losing its position in global competitiveness but still has potential to innovate (Ukraine is ranked as 51st out of 137 countries) and is ranked highly in human resources (Ukraine is 25th out of 137 countries).

The main weaknesses of Ukrainian innovation security are low level of science funding by the state and low level of funding by economic entities themselves. It has been found out that in average only 65.15% of the created scientific and technical products are implemented. The funding share of low-tech sector decreased by 62% during a year (from 47% in 2014 to 18% in 2015), however, the funding share of high-tech and medium-tech sectors also decreased by 45% (from 44% in 2014 to 23% in 2015). One of the main causes of described tendencies is innovation development governance in Ukraine. There is no system approach to manage the innovation process in Ukraine as well as no common goals for different sectors of economy.

Keywords: innovation activity, national economic security, funding, innovation policy.

JEL codes: F52; O31.

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