



The Role of Innovations in Modern Economy

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ABSTRACT

In this article, innovation is becoming one of the most characteristic features of economic development and is analyzed as a factor accelerating the development of the market. Also we have given our suggestions and recommendations, today’s world through the widespread use of innovation.

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At present, innovations are an active link in all spheres of society's life. It is impossible to imagine the modern world without innovations that have already taken place and become familiar, and without future ones that contribute to further evolution. Most scientists agree that innovation has become the main driving force of economic and social development. Innovative activity has led the world community to a new, higher level of development.

The concept of "innovation" is used almost completely locally, it is a topic of conversation both at the everyday and at the professional level, incl. at the level of heads of state, international organizations, etc. Innovation can be understood as the end result of innovative activity, embodied in the form of a new or improved product introduced on the market, a new or improved technological process used in practice, a new approach to social problems. In principle, the term "innovation" can be interpreted in

different ways, it has an infinite number of formulations and definitions. After analyzing many definitions, we can conclude that “innovation” means either the end result or the process. The functions that innovations perform within the development of the economy and society are numerous; it is impossible to cover their entire spectrum, only the main ones can be distinguished.

Innovation contributes to:

1. Economic growth of the country in the long run. Innovation came to the fore even within the industrial society. By the beginning of the era of the post-industrial and information society, innovations have firmly taken the place of the main generator of economic growth in any country. Innovations affect all aspects of the life of society, incl. and its economic component
2. Creation of new sectors of the economy. In terms of the depth of changes introduced, innovations can be radical (i.e., offering a radically new product or service, a way to solve a problem, etc.) and improving (i.e., improving an existing product, service, etc.). Radical innovations contribute to the development of new sectors of the economy. Radical innovation, in the long run, leads to the fact that new industries not only appear but gradually become dominant;
3. Creation of single market space. In today's society, which, one way or another, follows the path of globalization, even one innovation can contribute to the creation of a single market. The most typical example here may be the creation of the Internet, in particular, the emergence of online stores, where purchases can be made from virtually any country in the world. Thus, a single market is created, the boundaries of which cannot be measured;
4. Stimulating competition and increasing the competitiveness of an individual, organization, country. Real competitive advantage lies in the ability to find new markets, produce new products, and invent new ways to make products. If a company has an innovation that is in demand in the market, then, of course, this will be its competitive advantage, at least until the moment when competing organizations create an analog of the innovation, or until the demand for this innovation runs out. As you know, a firm with a competitive advantage, *ceteris paribus*, has the opportunity to make high profits or even super-profits by creating a natural monopoly. Other organizations operating in the same or adjacent market segment as the company with the innovation will enter into competition and will seek to "destroy" the resulting natural monopoly, primarily by developing various innovative ideas. It is obvious that competition is increasing, which has a beneficial effect on the market situation as a whole;
5. The interpenetration of cultures and economies of different countries. Innovations, applied in numerous areas of society, contribute to the integration of society;
6. Strengthening the country's defense capability, its economic and food security et cetera.

Ensuring the integrity of the state and the security of citizens are among the priority tasks for the functioning of authorities at all levels. Their implementation is impossible without creating the proper level of defense capability, information, economic and food security. Innovative activity contributes to the solution of the tasks set, within the framework of which it is possible to develop innovative ideas for coding information, breeding plants that are resistant to diseases and bringing high yields, developing new financing for investment projects, improving the insurance system to reduce risks, etc. As for defense capability, it is also impossible to ignore innovation activity, which is actively reflected in the overall process of creating new types of weapons. Despite the large number of international disarmament programs, recent world events, as well as a survey conducted by the Institute for Economics and Peace, show that in recent years the Global Peace Index (“world peace index”) has been

declining, which may indirectly indicate an urgent need to maintain the country's defense capability at a sufficiently high level;

7. Development and improvement of the legislative framework in the field of protection of intellectual property rights to the results of intellectual activity and means of individualization. A category closely related to the concept of "innovation" is intellectual property.
8. The emergence of more and more new types of innovations, which, at times, are not subject to the regulation of any existing regulatory legal act in the field of intellectual property regulation, stimulates the development of legislation through the development of new documents;
9. Obtaining commercial benefits. In fact, innovation is a profit generator. Innovations provide an opportunity for an individual or legal entity to receive higher profits by creating higher quality products, reducing production costs, increasing output per unit of time, etc. It should also be noted that having formalized the innovation legally, i.e. having secured the intellectual rights to it (the most important of which is the exclusive right), it is possible to conclude a license agreement on the basis of a simple or exclusive license, or sell the exclusive right. This is also a source of profit;
10. Increasing the market share, expanding the range of potential buyers, conquering new market segments, stabilizing and securing a position in the market;
11. Reducing production costs through the use of more economical technologies that reduce the consumption of water, energy, etc.;
12. Improving the quality of manufactured products. Technical (technological) or product innovations contribute to the production of products with new or improved properties, the provision of better services that will best meet human needs;
13. An increase in the number of qualified personnel, because, for example, to work on new (innovative) equipment, it is necessary to take a refresher course. Thus, both general and special professional training of personnel is being increased;
14. Satisfaction of human needs. Almost every innovation, to one degree or another, contributes to the satisfaction of human needs. Even innovations made in the framework of fundamental research will eventually be reflected in applied research, and thus indirectly satisfy the needs of the individual;
15. Solving the global problems of mankind (for example, the fight against especially dangerous viral diseases). At present, the entire world community pays sufficient attention to solving the global problems of mankind. Many of these problems (food, environmental, nuclear, etc.) cannot be solved without the creation of innovative products and methods.

It should be noted here that innovations aimed at solving global problems of mankind should be carried out through close interaction of all countries of the world, incl. based on the constant exchange of information, research results. It also seems that the financing of such innovations should be partially carried out at the expense of specialized international organizations. Innovations that contribute to solving the global problems of mankind should be available to the population of any country in the world, which can be ensured by signing various conventions and creating international organizations. Of course, this raises the question of the commercialization of such innovations and the loss of a competitive advantage by the developer. However, if we take into account that society is moving along the path of creating a social economy, then these issues should go by the wayside compared to the ability to solve the global problems of society;

16. An increase in the standard of living of the population. There are three main points here:

- innovation activity, *ceteris paribus*, makes a profit, which ultimately has a positive effect on the income of individual individuals;
- the implementation of consumer innovations aimed at improving living conditions contributes to the creation of a comfortable environment for human life (an example of such innovations can be considered the creation of household appliances);
- the invention of new means of communication (including the Internet) allows not only to expand the circle of contacts, but also to improve professionally and culturally, by searching and analyzing a large amount of information, even if an individual is located in an extremely remote zone from the cultural and economic center;

17. Development of a person as a person. The creation of any innovation leads the individual to the realization of his usefulness for society, helps to increase his self-esteem. As part of the creation of a social, human-oriented economy, this fact is extremely important.

It should be noted that due to the specifics of innovations in the context of industries, activities, regions, etc. for each specific innovation, you can present your individual set of functions that it performs.

The role of innovation in the modern world cannot be overestimated. Innovations perform both economic and social functions, cover all aspects of society, affect personal issues. In the long term, without innovation, further economic and cultural growth along an intensive path of development is impossible.

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