

## THE ROLE OF INNOVATION IN ECONOMIC DEVELOPMENT

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**Abstract:** This article highlights the importance of systematic administrative reforms in Uzbekistan to improve the public administration system. It emphasizes the need for flexibility, efficiency, and transparency in order to achieve the goals outlined in the New Uzbekistan Development Strategy for 2022-2026. The article discusses the establishment of the Republican Commission and working groups to coordinate the development of the Administrative Reform Program. It also emphasizes the need for functional and organizational optimization of public administration structures, as well as the importance of conducting functional analysis to identify areas for improvement. The article concludes by stressing the significance of coordination among various ministries and departments to develop and enhance the e-government system.

**Key words:** *administrative reform, public administration, Uzbekistan, efficiency, transparency, functional analysis, organizational optimization, coordination, e-government system.*

**Abstract:** This article analyzes the fact that innovation is becoming one of the most characteristic features of economic development and is a factor that accelerates market development. Also, suggestions and recommendations are given that the rapid development of entrepreneurship can be achieved through the wide use of innovations in the modern world.

**Key words :** Innovation, capital, innovative process, production factors, innovative strategy, innovative entrepreneurship.

**Annotation:** V dannoy state chto innovatsii stanovyatsya odnoy iz naibolee kharkanatnyx chert ekonomicheskogo razvitiya i analiziruyutsya kak factor, uskoryayushchiy razvitiye rynka. Takje est predlozheniya i rekomendatsii, kak dobitsya bystrogo razvitiya predprinimatelstva v sovremennom mire za schet shirokogo ispolzovaniya innovative.

**Key words:** Innovation, capital, innovative process, production factors, innovative entrepreneurship.

**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. There are also suggestions and recommendations on how to achieve the rapid development of entrepreneurship in the modern world through the widespread use of innovation.

**Key words:** Innovation, capital, innovation process, factors of production, innovative entrepreneurship.

### INTRODUCTION

Currently, innovation is becoming one of the most characteristic features of economic development. Not long ago, this name reminded of something exotic, unknown and not very

clear even among professionals, but now the innovation itself and its concepts are rapidly conquering the world. The international capital market, which plays a significant role in the innovation process and turns innovation into a strategic resource for enterprises, is expanding, and new financial structures are helping it in this regard. The experience of developed countries shows that innovation is often hindered by people's direct negative attitudes and attitudes. However, a paradoxical situation is developing in Uzbekistan, that is, the whole society expresses positive attitude and support to innovative processes. In particular, it is reflected in many normative legal documents adopted in Uzbekistan and draft laws widely discussed in social networks. The Law of the Republic of Uzbekistan of July 27, 2020 on innovative activity, the Law of the Republic of Uzbekistan "On Science and Scientific Activity", the Decree of the President of the Republic of Uzbekistan of January 22, 2018 "On the Republic of Uzbekistan in 2017-2021 Presidential Decree on the State Program for the Implementation of the Strategy of Actions in the Five Priority Areas of Development in the Year of Supporting Active Entrepreneurship, Innovative Ideas and Technologies, by the President of the Republic of Uzbekistan Decree No. PF-5975 dated March 26, 2020, "On measures to fundamentally update the state policy on economic development and poverty reduction", "On the activities of the Ministry of Economic Development and Poverty Alleviation of the Republic of Uzbekistan and its system organizations on organization" No. PQ-4653 dated March 26, 2020, No. PQ-4862 dated October 13, 2020 "On additional measures to improve the system of attracting the population to entrepreneurship and develop entrepreneurship" These include the decisions of the Cabinet of Ministers of the Republic of Uzbekistan dated February 17, 2021, "On the effective organization of the activities of the entrepreneurship development agency under the Ministry of Economic Development and Poverty Alleviation of the Republic of Uzbekistan." The purpose of adopting these documents is to develop business activities, to create favorable conditions for the creation and development of new entrepreneurs, to help increase the potential and efficiency of the innovative system, and to create a regulatory, financial and informational environment favorable for innovation. It is also to increase competitiveness and productivity in the industry, to encourage the increase of the share of high-tech products, to increase production and to increase the share in the structure of production and export, to expand the application of innovative technologies and advanced management.

## **MAIN PART**

The aim of the research work is to help increase the potential and efficiency of the system through the innovative development of the economy and the creation of new entrepreneurs. The tasks of the research are researching the stages of increasing competitiveness and productivity in the industry and justifying its specific features; to stimulate the increase of the share of high-tech products, to increase the production and increase the share in the structure of production and export, to identify the factors affecting the expansion of the use of innovative technologies and advanced management. Analysis of literature on the topic According to some authors, there is both a traditional economy and a new economy developing on a different basis. In our opinion, it is appropriate to use the positive aspects of both of these models without opposing them, because it shows that a new one is gradually developing at the core of the traditional economy. Indeed, it is true that innovation has become a factor of production in the modern world. It is known that traditionally there are three factors of production: land, labor and capital. They were first analyzed by JB Sey.[1] At present, these factors usually include the ability of entrepreneurs and, according to some authors, the information factor, thus emphasizing the role of information in economic development . It is more correct to connect with traditional factors. Currently, by

studying the factors of production, the analysis is carried out more deeply and each factor is broken down. Land or natural factors are factors that do not provide long-term competitive advantages when used as the basis of entrepreneurship. In addition, many types of natural resources are non-renewable and can be exhausted after some time. On the other hand, the innovative factor is practically inexhaustible and it creates innovations that can be introduced into production; their expansion can ensure long-term competitiveness, because it is currently based on new, especially developed factors. In fact, such a point of view cannot be called "absolutely new". Analyzing the factors of production mentioned above, "Sey" emphasizes the role of the entrepreneur, because he coordinates the following factors of production: land, capital and labor, as well as the labor factor, which he used very widely, including not only labor, but also took into account scientific conclusions and knowledge necessary for product production and organization of production. English scientist GA Hobson expressed this idea more vividly and included creative abilities in production factors.<sup>[1]</sup> Analyzing the part of the economic system where new products appear, new markets appear, and new technologies are introduced, he called it the "progressive production sector". Now we call it the innovation economy. Of course, in the process of studying such a phenomenon as innovation, one should not forget the names of two scientists, that is, N. Kondratiev and the Austrian JAS Schumpeter. It was Schumpeter who first defined the concept of innovation in his "Theory of Economic Development" study.<sup>[3]</sup> He interpreted innovation as a scientific and organizational combination of existing production factors aimed at solving commercial problems. Schumpeter directly noticed the source of development of economic systems in innovations. Because specific content innovation is change, they point out five typical changes:

1. Provision of new technologies, new technological processes or new production markets;
2. Introduction of products with new features;
3. Use of new raw materials;
4. Changes in production organization and material and technical support of production;
5. Emergence of new markets.

In addition, he used the concept of innovation and explained it as changes, the purpose of which is to introduce and use new types of consumer goods, new production and means of transport in the form of new production organization. When describing innovation, Schumpeter always emphasized the role of the entrepreneur in this process, because it is the entrepreneur who is the driving force, implements new inventions and receives the profit as a reward. Not all inventions become innovations. Innovations are inventions that bring profit and satisfy market demand. In other words, thanks to science, an idea that can be implemented appears, and the next step is the commercialization of this idea, which turns the invention into an innovation, which brings income. It says: If science is the process of turning money into knowledge, innovation is the process of turning knowledge into money with added value. Kondratiev justified the idea that economic cycles (waves) have different lengths: long - 48-55 years, medium - 7-11 years and short - 3-3.5 years. His most important contribution is related to the study of long waves. To support his theory, he analyzed a large amount of factual material covering the four most developed countries - Great Britain, France, Germany and the United States. The studies conducted were related to the dynamics of prices, interest rates, wages, foreign trade volume and the dynamics of basic industrial goods. The time period under analysis was extended to 140 years. Research has confirmed the existence of long waves and science, its discoveries, the uneven development of science and technology, innovations, etc. have been noted as one of the reasons (Kondratiev N. (1925)). [3] Kondratiev discovered empirical patterns associated with

long waves. Before the development of the wave and at its beginning, deep changes occur in the economic life of society associated with important changes in technology (important technological discoveries and inventions took place). He considered scientific and technical innovations to be the main factor. Innovation creates excitement by changing the economic environment from its trend to an upward trend. Kondratiev also showed that innovations are unevenly distributed over time. They appear in groups or, in modern language, clusters. Therefore, in Kondratiyev's research, we can find one of the first examples of using the cluster approach. Currently, Kondratiyev's recommendations can be used in the development of innovative strategies.[4] The role of technological cycles is manifested in the development of the economy and society, which, on the one hand, increases the mass of capital production, and also increases its technological level. On the other hand, the skill level of the workforce and management will increase due to improved education and skills. Over time, with the achievement of a high technological level of production, the innovative characteristics of the labor force are the characteristics that grow the fastest, because the skilled labor force not only absorbs new technologies faster and uses them more efficiently, but also creates these technologies in production. Schumpeter JA in his "Business Cycles" (1939) combined N. Kondratiev's long wave theory with his innovation theory, resulting in the first cyclical theory of development.[4] According to him, the cyclical development of the economy is mainly related to the internal mechanism of the system, and it is an innovative process.

## **RESEARCH METHODOLOGY**

The article uses methods of scientific abstraction, analysis and synthesis, induction and deduction. The data of this research was obtained from official sources, the study of innovative entrepreneurship was achieved based on the comparative analysis of the scientific-theoretical views of the famous economists on the role of the economy in the development of the economy, the generalization of foreign experiences and the results obtained on the achievements made in our country.

## **CONCLUSIONS AND SUGGESTIONS**

To sum up, in modern enterprises engaged in innovative entrepreneurship and introducing innovations using foreign experience in the production process, compared to traditional enterprises, wages are 2-3 times higher, work productivity is 2 times higher, especially for employees. The quality of life and prosperity compared to before shows the positive aspects of today's innovative economic reforms. But along with the progress being made, there are also problems to be solved. In particular:

- that our entrepreneurs do not have sufficient skills in business management;
- inability of employees to quickly learn news;
- they cannot adequately assess internal and external risks, the need for innovation, and their position in the world market;
- not enough attention is paid to the development of enterprises, increase of competitiveness;
- There are also many problems in the organization of the business environment and the development of the innovation promotion structure.

We consider the following suggestions and recommendations appropriate for solving these problems:

- it is necessary to increase the role of private business in the process of financing scientific research, which will give an impetus to increase the efficiency of investments in research and development;

- it is necessary to increase the level of investments necessary for innovation and strengthen competition;
- It is necessary to support the marketing search system for developments, which is the main element of stimulating innovation and foreign patenting of scientific developments created in Uzbekistan.

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