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**THE MECHANISM OF STATE REGULATION OF INNOVATIVE ACTIVITY
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The peculiarities of innovative activity in the Republic of Belarus and the peculiarities of financing innovation are presented in the article. The methods of direct financing and indirect financing methods of innovation are defined. The ways to improve the innovation activity are suggested.

One of the key areas of recovery of the national economy and achieving high rates of development of the Republic of Belarus is the state direct participation in the innovation sphere and the formation of favorable conditions for the development of innovation by providing tax incentives. In modern conditions the state regulates innovation activities by direct and indirect methods [1].

Under the methods of financing of innovative projects we understand such methods of financing innovations that reflect the use of specific sources of funding in conjunction with the economic situation of the company, plans its current activities and development [2].

1. Bank loan. The firm develops business plans and investment projects. The Bank checks the calculations and draws conclusions. When deciding on a loan, the Bank enters into a loan agreement with a firm (the sum of issued loans, the procedure of their use, terms and order of repayment, interest rates, credit, forms of security obligations). There can be two kinds of such funding:

a) investment lending (line of credit on non-earmarked credit). The source of the refund is the whole economic activity of the borrower, including income of the project;

b) project financing (line of credit for the trust loan). The source of repayment of the loan is the project itself. Project Finance is riskier.

2. Innovative credit. Innovative banks that are interested in implementing profitable inventions and innovation funds that provide financial support to innovative firms through funding of venture (high risk) projects specialize in the issue of innovation credits.

3. The issue of securities. Equity financing helps to raise funds for a big investment in innovative firms. To attract additional funds innovative firm may place on the market different types of securities: stocks, bonds, bills, derivatives (options, warrants, futures contracts, vouchers). The issue can be done through various channels: by direct communication, on the stock exchange, through an investment dealer companies, banks and brokerage firms.

4. Raising funds for the establishment of venture enterprises. The challenge of venture capital financing is aiding the growth of the particular business by providing a certain amount of money in exchange for a share in the share capital of the company or the stake. Venture capital is long term risk capital invested in stock of new and growing companies with the aim of obtaining high profits after the registration of these companies on the stock exchange.

5. Self-financing. It can be done in two ways: from the profit distributed for development, and from the sinking Fund.

6. Proceeds of short-term projects for funding long-term ones (bundling of projects). This type of financing is also called bundling of long-term innovation project with short-term commercial with the goal of maintaining large-scale innovative project profit from the implementation of targeted projects.

7. The implementation of unnecessary and renting (leasing) temporarily disposable assets. The implementation of redundant assets with the investment of funds received in the implementation of the project increases the capital of the company. This method as it moves forward is transformed in self-financing. Often this is a forced step, which is typical for small innovative firms that are not able to mobilize borrowed funds.

8. The pledge of property. Document defining the relationship between the debtor and the creditor is a mortgage. It is a security, a debt obligation whereby the lender in the event of non-debt borrower gets a particular property (land, buildings). In the field of innovation mortgage is issued when the borrower is granted a loan, the provision of which is secured. One of the forms of collateral is a mortgage, in which land and buildings serve as collateral with the aim of obtaining loans. Of all these methods, the pledge of property is the most inefficient and risky, because it is difficult to ensure the successful completion of an innovation project.

9. Proceeds from the sale of know-how. There are two reasons for licensing. The first is that some leading firms are so confident and so quickly create an innovative product that they immediately sell licenses after the development of new technology. While competitors start producing products, they will create a new technology

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and once again will be out of competition. The second reason is that the firm does not have sufficient resources for independent development of the final product, and they are forced to sell licenses.

10. Forfeiting. Forfeiting is applied in the case when the innovation company has no funds to purchase any of the products (materials, components) required for domestic production. The buyer is looking for seller of goods that he needs, and having a preliminary agreement with a commercial Bank (the third party of the transaction), negotiates supply on forfeiting terms.

11. Factoring. It is a complex of financial services provided by the Bank to the client in exchange for assignment of receivables. For innovative firms, these services may include the financing of supplies of goods, insurance of credit risks, given state of receivables and provide regular relevant reports to client, monitoring the timeliness of payment and work with debtors. Funding for supplies when factoring provides that immediately after delivery the seller pays to the Bank a significant portion of the amount of supplies as advance payment. In different countries, the long-term size of the payment is from 50 to 90% of the amount of supply. Balance (total supply minus the amount of long-term payment and deduction of Bank Commission) is paid to the seller on the day of receipt of payment from the debtor. In the course of factoring services delivery for any, even the most insignificant amount can be financed. Since factoring is a long-term program of working capital financing, factoring contract is concluded for an indefinite period and will be valid indefinitely, until both parties are satisfied with the mutual cooperation [3].

The indirect methods are the ones, the essence of which is to provide innovative projects with the necessary material and technical, human and information resources. Those methods include:

- hire-purchase or obtaining lease (rent) required for the project equipment;
- acquisition of a license (for technology used in the project) with paying the latter in the form of royalties (percentage of sales of the final product, special for this license);
- placement of securities with payment in the form of supplies or obtaining a lease of required resources;
- attracting the required workforce and attracting deposits for the project in the form of knowledge, skills and "know-how" [2].

1. Credit purchase and rental of logistical means, any tangible property and other proprietary rights for the term, linked to the implementation period of the innovative project and making a profit, due to which trade credit will be serviced and repaid;

2. Buying of tangible property and other property rights in installments at the same timing with the expected income from the project (obtaining rights to use them without property rights that will pass to buyer upon final payment of installment and interest; in the case of non-payment of regular installment amounts and interest the owner withdraws the property from the buyer, deprives of his rights to use);

3. You can purchase a license for the technology behind the innovative project with a full set of services and supplies upon payment of the license solely in the form of "royalties" (in this case percentage of sales of products, services, mastered by the license is very high);

4. Placement of shares and other securities paid in the form of supplies or rental of required logistical (including area, land, etc.) and information (patents, know-how) resources equal to their market;

5. The same when raising contributions in kind from partners in the statutory funds of the private or target joint ventures, joint projects or consortia;

6. Attraction of labor resources, employment of workers with the payment of the securities of the company issued under innovative project (almost with paying future dividends out of profits on the investment project).

The essence of these methods of financing is obvious and boils down to the fact that the provision of innovative projects is carried out directly required for their implementation with material and technical, labor and information resources - bypassing the stage of raising money and spending it to acquire these resources [2].

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