

## ISSUES OF THE IMPACT OF INNOVATIONS ON THE ECONOMY

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**Annotation:** This article thoroughly analyzes aspects of innovation as an important driving force of economic growth using examples from foreign experiences, highlighting how innovations can create new industries, increase employment levels, attract foreign investment, and serve as an important factor in achieving competitive advantage in the market by ensuring product quality competitiveness.

**Keywords:** Innovation, globalization, competitiveness, efficiency, microeconomic, innovation zone, technopark, R&D, patent, startup incubators,

Innovations are an important driving force of modern economic development. They not only create new products and services, but also accelerate economic growth by improving existing production processes, efficient use of resources, and increasing labor productivity. Thanks to innovative activity, enterprises produce products with high added value and increase competitiveness in domestic and foreign markets. The experience of developed countries shows that high economic efficiency can be achieved by investing in science and technology, supporting research and development. Thus, innovations, as the main factor of economic growth, play a decisive role in ensuring sustainable development and competitiveness.

Innovations are one of the main factors of economic growth. This effect can be seen in the following directions:

1. Increasing labor productivity
2. Creation of new jobs and industries
3. Attraction of foreign investments
4. Improvement of the quality of products and services

Innovations, as an important driving force of economic growth, have a direct impact on the development of society. The above-mentioned areas - increasing labor productivity, the formation of new jobs and industries, attracting foreign investment, and improving the quality of products and services - are the result of innovative activity and strengthen the country's competitiveness. Therefore, the development of innovation as a strategic direction, with constant attention to it, is the main guarantee of ensuring economic stability and long-term growth[1].

Innovations lead to significant positive changes at the firm level. At the microeconomic level, that is, at the enterprise or firm level, innovative activity provides the following main advantages:

With the help of innovative technologies, automated equipment, and digital management systems, production efficiency is increased and the consumption of excess resources is reduced. For example, through modern ERP (Enterprise Resource Planning) systems, production, supply, and

procurement processes will be fully digitized, which will reduce errors and time losses caused by the human factor. As a result, the cost of production decreases, and profit increases. For example, the introduction of automated sewing machines at large textile enterprises in Uzbekistan has significantly reduced labor costs[2].

Through innovation, firms improve their products or services in the market. This gives an advantage over competitors. For example, mobile phone manufacturers annually introduce new technologies, increasing the competitiveness of their brands. Thus, Apple maintains its leadership in the competition in the premium segment by implementing advanced camera and security systems on iPhone models.

As a result of innovations, the quality of the offered products increases, and services that meet new needs appear. This leads to an increase in the number of buyers, thus expanding market share. For example, Netflix created an innovative online film platform and took a leading position in the global market as an alternative to traditional television.

Innovations allow firms to develop new types of products. New products, especially those that are rare in the market or satisfy a completely new need, have a high margin. For example, by bringing electric cars to the market, Tesla not only met the need for environmentally friendly vehicles, but also significantly increased its revenue.

Today, innovative development is considered not only as economic growth, but also as an important pillar of national security, competitiveness, social well-being, and state independence. Therefore, supporting, protecting, and stimulating innovative activity is one of the priorities of political strategy in most developed countries. The following approaches are prime examples of this:[3]

- **Financing of research and development**

The state provides financial support for research and development (R&D) to achieve innovative progress. For example, in **Germany**, there is a system that acts as a bridge between industry and scientific research through the network of "Fraunhofer" institutes. In the USA, the National Science Foundation (NSF) allocates billions of dollars annually to scientific and technological projects.

**In Uzbekistan**, in recent years, grants have also been allocated for innovative research, including through the Agency for Innovative Development of the Republic of Uzbekistan, funds are allocated to universities and scientific institutions, and young scientists are supported.

- **Creation of innovation zones and technology parks**

In many advanced countries, **free innovation zones, technoparks, startup incubators** operate. These regions create favorable conditions for the development of new technologies and startups through tax and customs benefits, infrastructure assistance, and mentoring services.

For example, **Daejeon Technopark in South Korea** or **Silicon Valley in the USA** are the most famous examples of such environments. In Uzbekistan, **Yashnabad Technopark, INNO Technopark** and other innovation centers have been created, supporting modern startups and technological projects[4].

- **Patent and copyright protection**

Legal protection of innovative ideas is important for maintaining their commercial value. Therefore, developed countries have implemented strong **patent systems** and **copyright institutions**. For example, in **Japan**, the process of obtaining a patent is much more convenient and faster, which encourages even small businesses to invest in innovation. **In the European**

**Union**, it is possible to obtain legal protection in several countries simultaneously through a single patent system (European Patent Convention).

**In Uzbekistan** Innovative developments are patented and legally protected through the Law "On Intellectual Property" and the "Intellectual Property Agency" operating on its basis.

- **Encouraging startups**

Many countries pay special attention to supporting **startup projects**, which are the heart of the innovative economy. For this purpose, startup accelerators, grant programs, tax incentives, and venture capital funds have been created.

For example, **Israel** is one of the largest startup countries in the world, leading in the number of startups per 1000 inhabitants. The reason for this is the existence of a system of state financing of venture investments and innovative projects at the initial stage.

**In Uzbekistan**, the development of innovative thinking and a startup culture among young people has been established through such projects as the "Startup Initiatives" program and "Technovation Girls."

- **Innovation orientation of the education system**

For the sustainable development of innovative potential, the personnel training system must also meet modern requirements. In developed countries, education is conducted through innovative approaches, critical thinking, technological skills, and practice-oriented methods.

For example, the education system **of Finland** is aimed at developing students' creativity and problem-solving skills. **Singapore** emphasizes STEM (science, technology, engineering, mathematics). **Uzbekistan** is also taking important steps in this direction. Presidential schools, IT Park Academy, the "One Million Programmers" project - all this contributes to the orientation of education towards an innovative economy.

In conclusion, innovations are considered the heart of the modern economy. They affect all spheres, from production to the service sector, from the labor market to international trade and investment. The economic stability and competitiveness of each country is connected with its innovative potential. Innovations also serve as an important factor in creating new industries, increasing employment, attracting foreign investment, and ensuring an advantage in competition in domestic and foreign markets through the quality of products. Especially at the microeconomic level, the role of innovations in reducing production costs for firms, increasing profit indicators, and expanding market share is invaluable. Therefore, the strategy of innovative development should be recognized as one of the most important priorities not only for developed, but also for developing countries, in particular, for Uzbekistan. Sustainable economic development can be achieved through active, systematic, and scientifically based innovative approaches.

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