MECHANISMS OF INFLUENCE INNOVATION-BASED ACTIVITY OF SMALL AND MEDIUM ENTERPRISES IN THE FORMATION OF A COMPETITIVE ECONOMY

Topicality. The topicality is that innovative actions are critical for demonstrating resilience in an increasingly competitive global economy. As a result, market participants must constantly adapt and upgrade their products, services, and manufacturing methods to take advantage of the most recent scientific and technological advances. It is critical to investigate, develop, and implement innovative ideas, methods, and products that will improve the economy and society.

Aim and tasks. The analysis and study of mechanisms for increasing competitiveness and increasing the share of the international market in economic competition and development, identifying the economic contribution of innovative entrepreneurship, is the development of small and medium enterprises in a rapidly globalizing world.

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MECHANIZMIDY BPLEIBYNA INNOVAIYIYNA DIAIYILNIST YALIHI I CEPYNIH PIPPIYRISMSTV U FORMUVANNI KONKURRINTNOII EKONOMIKI


Meta i zadaniya. Analiz i vyanvchenia mehanizmii pibyazhkiy konspektivnoi promyshlennosti i zblizhenyia chastki mityaardnogo rinu v ekonomichnii konspektivnosti i rozvityku, vyvlezhava ekonomichnogo vyesu innovatsionnyh podpryimatschta - zravystok malih i seredinih podpryimatsv u svity, chto yishko globalyayetsya.


Visnovki. Materyali i rezultaty doslidzhennia mozhut byty vikoristani dlya vystavleniya skladnykh i systematichnykh zaходv, a takzhe konceputualnykh pishodi do vyrizhennyia probrem z metoy stvorenia konspektivnoi ekonomiki innovatsionnyh maloi i serednogo biznesa v sushhiniy chas.

Klyuchiye slova: malyi i serednii biznes, ekonomichna konspektivnosti, innovatsionoe podpryimatschtye, ekonomichnyi rozvityt, innovatsionnyi rozvityt, teknologichni zmii.
Research results. The prospects for the development of small and medium businesses in industrialized countries were examined, and recommendations for the actions were made. The establishment of a socioeconomic system that will assure long-term economic progress is critical for modern society's well-being. Development and competitive advantages are determined by science, innovation, and technology. All three of these criteria are necessary for long-term economic growth and sustainable productivity increase. In highly developed industrial societies, small and medium enterprises (SMEs), which play an important role in technological growth, form the foundation of the economic structure. As a result, it’s critical to foster a technical innovation culture in SMEs, encourage creative thinking in the development of new products, processes, and services, improve knowledge management skills, and encourage risk-taking.

Conclusion. Materials and findings in the study can be utilized to establish complicated and systematic measures, as well as conceptual approaches to problem solving, in order to create a competitive economy of innovative small and medium businesses in modern times.

Keywords: small and medium business, economic competition, innovative entrepreneurship, economic development, innovative development, technological change.

Problem statement and its connection with important scientific and practical tasks. Recent worldwide changes have prompted the establishment of a new and more complicated phase of economic transition, with the focus turning to solving technical and economic paradigms as well as long-term systemic issues that reflect both global trends and domestic development constraints. In this environment, innovative entrepreneurship has a substantial impact on the country’s socioeconomic progress. Innovative entrepreneurship is becoming a crucial factor in the competitive environment and the successful structure of the national economy, increasing production of products and services, assuring effective employment, and addressing major social issues.

Analysis of recent publications on the problem. Economists have long stressed the importance of small and medium businesses in increasing social welfare and employment in times of unemployment and economic hardship. Therefore, the contribution of SMEs to the economy has always been a research topic. Many economists have conducted research on the subject. According to Sule Ozkan [1], Meredith [2], Tamer Müftüolu [3], Druker, P.F. [4], Cibela NEAGU [6], and others, SMEs have contributed to economic recovery through new job possibilities and innovation-oriented activities. Because of their flexibility, SMEs can quickly adjust to creative innovations, which boosts economic vitality.

Allocation of previously unsolved parts of the general problem. Despite research on the impact of SME innovation to economic development, small and medium businesses are the most affected entities in the current competitive climate. This is a new issue in terms of examining the necessity for SMEs to focus on innovation in order to remain competitive in the post-pandemic climate.

Formulation of research objectives (problem statement). The goal of this article is to look into how innovative small and medium businesses can help ensure socioeconomic progress. Simultaneously, it is an examination and investigation of the methods by which innovation-oriented SMEs affect competitive advantage and economic growth in a globalizing world.

An outline of the main results and their justification. For the well-being of modern society, the construction of a socio-economic system that promotes sustainable development is critical. Without a doubt, a system that activates the country’s economic dynamics and accomplishes the rise of high-value-added products would ensure quick development. It is technology that defines development and competitive advantage in this regard. Meantime, technical advancement is critical for long-term economic growth and sustainable productivity growth. In the current circumstances, such a mechanism is only viable because small and medium businesses exist. As a result, small and medium businesses make up the economic structure of the most developed industrialized countries. Small and medium-sized businesses, which are the backbone of a market economy, assure competition formation and sustainability, and have a flexible structure, are also the primary source of technical advancement. Small and medium businesses are critical to creating a favorable climate for technical growth and innovation, promoting inter-agency cooperation, and ensuring customer return to new products as an integral element of the economy. As a result, it is important to foster a culture of technological innovation in businesses, encouraging creative thinking in the development of new goods, processes, and services, as well as developing the highest level of ability to use external data and encouraging risk-taking.

Developing countries have been compelled to handle the transition from administrative to market economy at a time when developed Western countries have made enormous efforts and resources to assure innovation-oriented development and significant advances in technical innovation. As a result, establishing and adopting a legal framework for fundamental economic reforms, lowering and privatizing the percentage
of state-owned businesses in critical areas of the economy, laying the groundwork for managing market procedures, and addressing other concerns were prioritized.

The move from an industrial society to an information society focused on the utilization of knowledge, information, and new technologies has mainly contributed to the potential for economic growth in recent years. Under the influence of innovation-oriented economic activity, qualitative and quantitative changes in the modern economy have established fundamentally new requirements for the organization, management, and regulation of macro and microeconomic processes in light of post-industrial (information) society conditions. It should also be highlighted that, as a result of the worsening of the problem of traditional and notably raw material depletion, the relevance of innovative development has increased dramatically.

The path of innovative development makes the economic growth of society and individual businesses, as well as the development of the global economy, directly dependent on the dynamics of technological development and implementation. Only the sustained application of new technology, goods, and services can bring fresh benefits in the context of globalization and increasing economic competitiveness. In this regard, it is worth noting that the relevance of innovative development has grown greatly as a result of the worsening of the problem of traditional, particularly raw material depletion. All of these demonstrates that innovative development is becoming an increasingly important part of the overall development process, and that only the transition to an innovative economic development model will allow for long-term economic growth, protection, and the formation of competitive advantages. We can conclude that there is currently no possible alternative to innovative development. In fact, the route of innovation is a new model of economic growth that is suitable for a post-industrial society and has no analogs or alternatives. Instead of focusing on fostering innovation in specific industries or activities, the idea is to focus on innovative economic development as a whole.

Small and medium businesses are the most effective and actively developing sector in many developed countries. Flexibility and dynamism in management, lack of inertia in adjusting to changing technical conditions, rapid response to changes in market conditions, and faster return on investment are all advantages of small and medium businesses.

The effectiveness of government support for SMEs is determined by a variety of factors, including social and macroeconomic considerations:

- The high demand for labor by SMEs minimizes unemployment, which benefits not only on the social development of society, but also on economic growth;
- SMEs contribute to the development of a middle class that ensures the stability of social systems based on market economic principles.
- they also contribute to the economy's diversification and the development of a healthy competitive environment.
- SMEs are generally disciplined partners and budget payers;
- individual SMEs' financial issues, on the whole, have little impact on macroeconomic processes;
- SMEs are less active in international capital flows;
- The loyal quality of public opinion benefits SMEs in general.

To ensure the innovative development and operation of SMEs, legal regulation of innovative activities is critical.

At the same time, the economic activities of SMEs have the following flaws: (NEAGU Cibela, 2019.)

- Sensitivity to capital loss during economic downturns;
- High reliance on a small number of clients (such as subcontractors);
- Access to working distribution channels, production, and marketing services is limited;
- Insufficient managerial and economic expertise.

The significance of SMEs in today's economy can be described as follows: [1]

1. The value of SMEs in today's economy can be summarized as follows: [1]
2. They give the economy dynamism by shielding it against recession and depression.
3. They accelerate the development of industrialisation by quickly adjusting to changes and advances.
4. By revealing creative ideas, you can help speed up the economic development of these concepts.
5. They are the guardians of public order and stability as well as a source of employment.
6. They stop people from moving to cities by accelerating regional growth.

Small and medium enterprises are enterprises with less than 250 employees. Small businesses are defined as those with fewer than 50 employees when distinguishing between small and medium businesses. Small and medium enterprises, or SMEs, are commonly linked with owner-operators [2]. SMEs are
classified differently for a variety of reasons. Very small businesses with fewer than 20 employees, 20-99 small businesses, 100-499 medium businesses, and more than 500 large businesses are the criteria approved by the Organization for Economic Cooperation and Development (OECD), as indicated in Table 1.

<table>
<thead>
<tr>
<th>OECD</th>
<th>Criteria</th>
<th>Number of Employees</th>
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<tbody>
<tr>
<td>micro enterprises</td>
<td>1 - 19</td>
<td></td>
</tr>
<tr>
<td>small enterprises</td>
<td>20 - 99</td>
<td></td>
</tr>
<tr>
<td>medium-sized enterprises</td>
<td>10 - 499</td>
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</tr>
<tr>
<td>Large enterprises</td>
<td>500 or more people</td>
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The key challenge in this area is to arouse private capital's interest in innovation-oriented operations. The idea among market participants that innovation is the only way to produce high, long-term returns may have sparked this interest. Economic growth is heavily influenced by technical and institutional advancement, as well as the macroeconomic environment, according to research undertaken by the World Economic Forum.

To establish a favorable economic environment and actual market reasons for private capital's involvement in the field of supporting innovative activity in small and medium businesses, to raise the level of creative activities of the market entities, the commercial requirement for innovation in the economy's actual sector, establishing a mature competitive environment for business innovation sensitivity, expansion of public-private partnerships in the realm of innovation to boost the efficiency of innovation initiatives, human resource development with professional skills in the development of intellectual capacity and creative activity, increasing the percentage of GDP spent on science and innovation are crucial measures. Simultaneously, it is critical to enhance the investment climate by focusing on innovation, as J. Schumpeter, the founder of the economic theory of innovation, put it: "Only investing in invention is the true motor of progress."

Supporting the innovative development of SMEs and ensuring the shift to an innovative development path are top goals for the state. These tasks include improving financial inclusion, setting priorities, finding alternative energy sources in the realm of information and energy-saving technologies, managing environmental challenges, institutional, market, formation of methods for expanding the relationship between science, education, and business in the field of science and innovation, as well as the establishment and upgrading of information and innovation infrastructure.

The more infrastructure is constructed, the bigger chances for SMEs to develop innovatively, as evidenced by the experience of industrialized countries. Infrastructure that satisfies the special circumstances of economic development, according to industry experts, is becoming a catalyst for long-term inventive development in SMEs.

In today's economy, small and medium-sized businesses (SMEs) play a vital role. The importance of SMEs in economic development is widely acknowledged.

Small market players, according to Peter Drucker, are a significant stimulus for economic progress. As a pillar of socioeconomic prosperity, these small businesses are actively involved in fulfilling the basic goals of any national economy [4]. Due to low formation, running, and production expenses, and high labor productivity, entrepreneurs in all economies prefer to start their own firms by establishing small businesses. As a result, small market entities are believed to play a more vital function in increasing labor and a key part in increasing employment as compared to large market entities.

There are two categories of SMEs in the current economic climate: the first are tiny traditional businesses that lack a long-term plan and have a modest market share. This market is primarily concerned with the manufacture of inherited products that are passed down from generation to generation. The second group is modern SMEs that employ advanced technology in their search for a long-term market and to improve their competitiveness.

Small and medium enterprises, or those with less than 250 employees, are referred to as the backbone of the European economy, as they provide jobs and economic growth. At the same time, after its restrictions during the epidemic, the coronavirus may be among the hardest affected by the downturn in economic activity [10]. In a report titled "SME Competitive Perspective 2020 - COVID-19: The Big Fall and Its
Impacts on Small Business,” the International Trade Center (ITC) verified the European Union's assessment of the damage (Figure 1).

Figure 1 shows that the number of SMEs in the European Union is close to 99 percent, with a two-thirds share of employment.

**Figure 1. The contribution of entrepreneurship of various sizes to the economy in the EU (EU-28, 2017).**

*Source: Eurostat, 2020*

SME's are key business creators who contribute to the socioeconomic stability of the communities in which they operate [5]. At the same time, they improve market competitiveness by serving as a source of competition and better addressing consumer wants. SMEs contribute to the creation and diversification of goods and services, the expansion of national exports and investment, and the production of GDP [6].

With the European Union's policy to enhance employment, economic reforms, and social security as part of the economy until 2010, to have a more competitive and dynamic economy it's aimed to achieve long-term economic growth based on increasing social consensus and better job possibilities. To achieve these objectives, the Lisbon Strategy stresses the removal of bureaucratic barriers to competition, particularly those that impede the functioning of SMEs, within the scope of the EU's reinforced SME policy. In this regard, the heads of state and government of the EU member states have taken specific initiatives in 10 important areas listed below. They agreed to go to work, devise programs and projects, and set aside the required funds.

- education and training of entrepreneurs;
- establish business-building methods that are less expensive and faster;
- develop better laws and regulations;
- qualified personnel training;
- to increase the speed with which information can be exchanged on the Internet;
- to take use of the single market more;
- progress in tax and financial matters;
- Increasing the technology and innovation potential of SMEs;
- Encourage the development of e-commerce and technology-based businesses.
- SME participation on national and international venues that is more effective and powerful.

The most significant aspect in attaining the aims of the European Union's Lisbon Strategy and enhancing the competitiveness of the European economy is technological production. It intends to distribute current technology throughout Europe and assure the usage of SMEs, which are the most important triggers of economic growth, employment, technological advancement, and structural change [8].

For countries with considerable regional differences, the importance of small and medium firms is expanding. The major objective for this is to assist in the development of SMEs in the region while taking into account its unique characteristics, as well as to provide employment possibilities in the region.
Simultaneously, as they operate in labor-intensive areas, SMEs are heavily involved in boosting the employment of unskilled labor in emerging countries.

It’s also in question how economies would react, given that the conditions generated by the pandemic in the first quarter of 2020 are unlike anything seen before. Unlike earlier crises, this one had a negative impact on every area of the economy. The economy is projected to be severely impacted by the fall in supply and demand on a worldwide scale. According to the International Trade Center’s (ITC) publication “SME Competitive Perspective 2020 - COVID-19: The Big Fall and Its Impacts on Small Business,” the pandemic adversely impacted most firms (55 percent). Smaller market participants, on the other hand, were more affected by COVID-19 than bigger market participants (Figure 2). The crisis has had a significant impact on the activity of nearly two-thirds of micro and small businesses (Figure 2).

The impact of the crisis differs by sectors. Food, non-food, retail and wholesale, tourism, and transportation were the most affected sectors. In these sectors, the share of SMEs is higher. In the least impacted areas, the share of significant market participants is larger than in the areas depicted in Figure 3.

Conclusions and perspectives of further research. The necessity of inventive creation has intensified dramatically in the setting of the global economic crisis caused by the epidemic. Market participants who exploit new technology and develop new products (Amazon, Zoom) are more likely to
survive the crisis with fewer losses and move out of the top stratum, according to experience. Improving the competitiveness of SMEs, as well as the development of innovative technologies and their quick use in production, is a top goal. To continue economic development and gain a competitive advantage over its competitors, each country must rapidly strengthen its technological capabilities, increase productivity through technological innovations, and transform the production and export structure into technology-intensive products by developing technology-intensive industries. The first stage is to create an innovation and technology policy that prioritizes research and development, encourages innovation, and prioritizes SMEs. The "National Innovation Strategy and Action Plan" is crucial in this regard.

It is critical to promote SMEs' activities, control legislation, minimize inter-agency conflicts in legislation and its implementation, and make information and communication technology more accessible (ICT). In order to achieve this, actions must be done in the formation of physical and technological infrastructure essential to boost worldwide competitiveness policy of the small and medium enterprises, reduction of operating costs, minimizing the entrance costs, improving financial inclusion, enhancing technological access, improving the working environment through boosting productivity and value added.

It should be considered improving the tax system in terms of tax incentives and stimulation. For high-growth sectors, further incentives and tax reduction initiatives should be implemented. Simultaneously, SMEs should be encouraged to engage in high-tech and research, and the scope of SME promotion programs should be increased and enlarged in this regard.

When it comes to the financial issues that SMEs face, there are issues such as a lack of capital, high credit costs, difficulty obtaining loans, and a lack of incentives and information. SME policy should prioritize taking actions to resolve these issues.

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