

**HPEPA 2019****Humanistic Practice in Education in a Postmodern Age 2019****INNOVATIVENESS AS A FACTOR OF ENSURING  
SUSTAINABLE DEVELOPMENT OF THE REGIONAL  
ECONOMY**

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***Abstract***

The article is devoted to theoretical understanding of the group of factors and conditions that affect the sustainable development of territorial socio-ecological-economic systems and the elaboration of applied aspects of this problem. The factor of the economy innovative component in achieving the sustainability of regional development is examined in detail. Sustainability of regional development means indefinitely long-term qualitative development, operated system-balanced adaptive development. Such development does not destroy the natural environment and ensures the internal integration of local communities, sufficient for an indefinitely long effective joint opposition to those phenomena and processes that threaten the safety of these communities and impede their self-development. This approach requires a review of the fundamental basis of economic thinking, economic activity, management and planning. A significant change is necessary from an essentially predatory economy in which selfish individual and group aspirations dominate to ensure their own current stability through the exploitation of the majority, including resources and future generations, to a steadily developing solidarity economy that meets common interests of both current and future generations. It is well known that the growth of people's well-being is not only in the growth of GDP/GRP, profits and incomes, it is also basic life conditions and their development which are no less important. To implement this approach, it seems necessary to review the current economic order, the role of factors ensuring the sustainability of regional development, one of the main factors being a widespread use of innovations in all areas of economy.

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## 1. Introduction

Today's global changes and periodically reoccurring crises clearly prove the instability of the existing model of economic development in the world. The "absolutization of economic growth" at the expense of solving social, environmental and other problems can be confidently considered the key drawback of this model.

Since the late 1980s, the international community found it reasonable to look for alternative ways of economic development which in the early 1990s led to the emergence of a new conceptual approach to the development of society and economy, the concept of sustainable development and its integral part of the concept of sustainable development of the territories.

## 2. Problem Statement

The key difference of this concept is that the sustainable development of socio-economic systems is considered as not only physical growth but a qualitative development. Sustainable development of the territories should be aimed firstly at achieving a high quality of life for the population in a situation of a positive dynamics in the complex of economic indicators.

Today one of the most important scientific and practical tasks is to ensure the sustainability of the development of economic systems. The solution to this problem will contribute to the development of the regional economy theoretical foundations, and will also serve as a tool for developing effective decisions in the field of regional management. Currently, there is some theoretical and practical experience in ensuring the sustainability of the socio-economic development of the regions but the role of factors in solving the problem remains understudied.

## 3. Research Questions

Let us consider the role of one of the key factors in ensuring the sustainability of regional development – the innovative component of the economy in more details.

In modern competitive conditions sustainable regional development can be achieved through the widespread use of innovations in the economy provided by both globalization factors and its internal problems. Sustainability of economic development is ensured, first of all, due to its balance. A high level of differentiation of the regions socio-economic development influences the annual expenses of the Russian budget. The competitiveness of the region and the country as a whole in the world market depends on active innovations, innovative initiative and policies in the regions.

Another factor contributing to the early transition of the economy to a higher level of growth that ensures the sustainability of its development is competitiveness. It should be noted that the term "innovation" from the Latin word "innovus" ("in" – "in", "inside", and "novus" – "new") means "introducing innovations, novelties", novation. Therefore, these two terms "innovation" and "novation" can be regarded as synonyms in meaning, and the term "novation" is also associated with novelties, that is why these terms are often thought to be equal (Fayzullin, 2017).

The terms of innovation (novation) and novelty (new product, processes, services) are considered together in two aspects – as innovation and as the process of its implementation.

In general, innovations (novations) and novelties are common in material meaning (new materials, articles, methods, processes, etc.) and in the meaning of process are considered as changes aimed at the development, use and spread of innovations, that is, they are defined as a result of novation introduction process (innovation process) which develops over time and has distinguishable steps and stages.

In this meaning, innovation (novation) stages are activities that have virtually no difference from the known stages (from science to consumption). Moreover, the proposed phases of innovation (emergence, adaptation, implementation, etc.) do not change the point.

Russian and foreign scientists have different points of view regarding the meaning of innovation. Nevertheless, in whatever form innovation and novation are interpreted, the common features of these two concepts are changes (partial or fundamental), their originality and possibilities of their use.

Innovations (novations) as a process are complex, and their results – novelties – are very diverse.

Innovation is characterized by such close terms as: innovation process, innovation activity, capacity for innovation and potential of innovation.

The innovation process should be considered as the process of passing through the cycle such as “research – production – consumption”.

Innovation activity is the activity of creating something new that includes exploration and applied-oriented research, technological, design and construction development, experimental, and production and operation works.

Capacity for innovation is the readiness (in terms of scientific, technical, labor, production or material and energy opportunities) and receptiveness of the society, industry, region, national economy, research and industrial complex or enterprise to novations (innovations).

The term of “potential of innovation” is used to evaluate the socio-economic and scientific and technological significance of innovation and its scope. Therefore, the potential of innovation can be interpreted as the expected level of socio-economic, scientific, technical and environmental efficiency from its implementation, as well as the possibility of its improvement (modernization, modification) and wide distribution (Akchulpanov, 2016).

The potential of innovation and capacity for innovation can be estimated on the basis of the analysis of specific objects (for example, an enterprise, a region) and individual novelties (technological processes, products, and management and production methods).

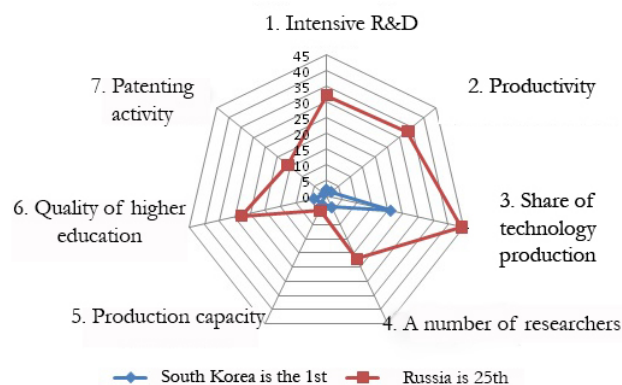
Innovative development leads to major changes in the subjects of labor among which various kinds of synthetic raw materials play an important role. They have the desired properties, do not exist in nature and require less labor for their processing. Thus, the role of natural materials is decreasing and the manufacturing industry is becoming less dependent on minerals.

#### **4. Purpose of the Study**

Innovations have always been the base for the production improvement; they ensured its evolutionary development. During the transition to post-industrial economic system innovations are becoming the main source of development. It is obvious that there is a direct relation between the level of development of the innovation sphere (technology, science, knowledge-intensive industries) and the formation of the basis for sustainable economic growth which is divided into two types: extensive and

intensive. Economic growth with an extensive type of development is achieved by increasing the number of production factors, and with the intensive one through the modernization and improvement of their quality. In this case, economic growth is also achieved in situations when the rate of investments is decreasing. Extensive growth implies an equal change in the balance between the factors. The maximum of production depends on the state of economic resources, the combination of labor and capital costs and, to a certain extent, scientific and technological progress. In the first case, an increase in the social product occurs due to a quantitative increase in production factors: an additional use of labor, land and capital (means of production) in production with which the technological base of production does not change and the increase is provided due to a quantitative increase in the number and qualification of workers, that is, due to enterprise capacity growth. In this case, the output per one employee remains the same.

In case of intensive growth of economy the main task is to increase production efficiency, return on all factors of production without increasing the capital and the amount of labor used. The main role is given to the qualitative change in the main production factors and the improvement of production technology. The main factor of intensive economic growth is an increase in labor productivity which makes it possible to increase the scale of output based on widespread use of effective and better quality production factors. The increase takes place due to the use of advanced technologies, scientific achievements, and advanced training of workers. With this intense economic growth, innovation is a key driver of development. The ability to create and implement innovations in practical activities is becoming an essential condition for ensuring the sustainability of the region's economic systems, social, scientific and technological progress. In developed countries, more than 30% of economic growth is achieved through innovations (Bashstat, 2019). As modern international experience shows, the world leaders are such countries which made the basis of their economic growth the active development and implementation of innovations. It is technological and technical innovations that provide a high level of socio-economic development of such states with the limited reserves of natural resources as South Korea and Singapore. According to the study published in 2018 by the international agency Bloomberg Rankings, these states, along with the United States, Germany, England, Holland, Finland, Sweden, Switzerland and Japan, continue to be the leaders in the list ranging innovative activity of economic entities. Russia is 25<sup>th</sup> in this list, but in general, despite a fairly high position in the rating, innovation, so far as experience shows, remains to a greater extent the state's concern, while business is still far behind in terms of innovations in its activities (figure 01).



**Figure 01.** The level of development of the factors determining the innovative activity of the Russian economy

It is worth noting that Bloomberg Innovation uses seven criteria to evaluate innovation activity which are directly related to research, business, production and education. These are the costs of scientific research and its volume, added value of production, productivity, education efficiency, large number of high-tech and research enterprises and companies, and the number of registered patents (Akchulpanov, 2014; Akchulpanov, 2016; Yangirov & Yusupov, 2019).

In 2017, due to sanctions and falling oil prices, Russia lost 14 places in the rating according to these criteria (it was 26th). In 2018, Russia ranked one position higher but remained behind such countries as Iceland, Canada and Poland.

According to the data for 2018, Russia is in 32<sup>nd</sup> place in the number of researchers per 1 million people. Russian Federation is one of the best in the spread of higher education. It ranked 5<sup>th</sup> in the number of universities graduates giving way only to Singapore, Iran, South Korea and China. In terms of added value for the production of goods, it ranked 23<sup>d</sup> in the list of states with the most innovative economies (Bashstat, 2019).

Other indicators, except for productivity, approximately correspond to the final ranking place occupied by Russia. According to this indicator, the country is 44<sup>th</sup> (Bashstat, 2019).

Despite all the positive aspects, innovativeness as a model for the development of the region still remains unclaimed due to a number of legal, economic, mental factors, etc. that hold up the implementation of large-scale innovative projects.

All of this leads to the situation when domestic products (primarily of manufacturing industry) remain extremely uncompetitive in world markets and in poor demand among foreign consumers. The raw material continues to prevail in the export structure, and Russian producers are under the growing influence of the companies that are actively promoting their products on Russian markets, which has become especially relevant in the light of Russia's accession to the WTO. A similar situation is developing in regions, which in their development mainly rely on traditional methods to stimulate economic activity.

Another equally important factor which determines the success of the region's economic development is creating conditions that ensure high investment activity. Favorable business situation in the region conducive to the growth of investment activity attracts foreign successful companies with advanced production, organization, marketing technologies and new business methods. It thereby increases the level of intra-industry and inter-industry competition, which creates the preconditions for the development of innovative activities of other enterprises. Subsequently, their high competitiveness in the interregional and international markets is to increase (Akchulpanov, 2018a; Fayzullin, 2018).

## **5. Research Methods**

It should be noted that the imbalances in the socio-economic development of the regions continue to grow. There is an increasing gap in the level of development between regions with the same basic conditions, which indicates differences in the effectiveness of approaches to using the existing potential of the regional authorities.

To our mind, the reasons for this state of affairs lie in the differences in the goals of regional authorities concerning their economic policies and use of different approaches in economic planning (table 01).

**Table 01.** Regional development strategy paradigms

<b>Regional paradigm of economic development planning</b>	<b>A brief description</b>	<b>The dominant type of the regional economy development</b>
1. Conservative (inertial)	Focus on the development of quantitative characteristics of economic growth.	Extensive
2. Innovative	Regional authorities are focused on the use of innovative methods of economic development. They focus on a combination of development and quantitative and qualitative characteristics of economic growth.	Intensive

It seems that one of the reasons to differentiate the level of economic development between the regions with equal potential is the use by the regional authorities of different paradigms for regional development planning. By the regional development strategy paradigm we mean the basic model of process management for the prospective development of the regional economy used by the regional authorities (Akchulpanov, 2015; Fayzullin, 2019).

If Russia takes the innovative path for its economy, it will ensure its sustainability. This is due to the nature of market relations and the need for fundamental changes in the economy.

Only new technologies will enable Russia to create markets and be the first in them. This is easier than fighting fierce competition in existing markets.

On the whole, the task of transferring regional economies to innovative tracks is an extremely complex organizational, economic, and administrative problem.

The role of innovation in the modern economy is gradually becoming more significant; innovations are increasingly becoming the main factor in the sustainability of regional development. In economically developed countries, the rapid turnover of production forces, new combinations of production factors and the widespread use of innovations that contribute to fundamental changes are the norm of their economic life. While economically developed countries do not stop at the reached level and continue to develop innovations, for today’s Russia with its raw materials economy in the market conditions innovations are a significant and urgently needed factor (Akhmetov & Fatkhullina, 2018; Fayzullin, 2017).

And last but not least that ensures economic development is the ability to have and introduce achievements of scientific and technological progress, which, in turn, becomes one of the factors ensuring the competitiveness of the economy both in the national and global markets, individual producers in individual markets.

Innovative processes in the Russian economy are characterized by the accumulation of huge potential in fundamental and branch sciences and a low level of bringing the results of scientific research to practice. In the international market, Russian innovative products make up only 1%, whereas the US share is 39% (Bashstat, 2019).

The innovative activity is highly influenced by the economic potential and the type of industry. This factor to a large extent attracts innovations for investors: private, domestic, foreign. Under such conditions, the factor of industry affiliation increases the flow of investment.

Innovative initiatives depend on market limitations. Market needs are the main external impulse for innovation, whether it is a response to the loss of traditional sales markets, a search for a niche in a competitive market, or identification of new market opportunities. If internal innovations are most often process ones, then the orientation of the whole region towards the market makes it introduce product innovations. The predominance of product innovation means that the market has become a real external innovation factor (Yusupov, Toktamisheva, & Yangirov, 2019).

At the same time, innovations may find an implementation due to external non-market factor – public needs in the broad sense which are expressed in the social policy of the state or the speeches of social movements (for example, environmental).

In any case, innovation undoubtedly leads to economic growth which is determined by a number of factors.

Another way to increase production factors is technological progress which is often considered as an independent production factor. Improvement of technology allows achieving various results. In this regard, a number of researchers subdivide it into certain types.

Technologies can influence economic growth in several ways: the first is by technology improvement, which makes it possible to increase output while maintaining the same level of costs by increasing the productivity of production factors; the second is by increasing the influence of educational, scientific and technological potentials. Nowadays, innovations and high quality of the workforce are the main factors in achieving economic growth.

All factors mentioned above may influence innovation activity in the region, both in a complex and various combinations, which should be taken into account when making management decisions; and innovations, in turn, should play a key role in ensuring the sustainability of regional development. At the same time, internal impulses to innovative activity are always of primary importance. Such factors include the innovation climate, the susceptibility of the region's economy to innovations, resource and infrastructure provision, and regional innovation infrastructure (science and technology parks, incubators) (Akchulpanov, 2018b; Akchulpanov, Yangirov, & Nasirova, 2018).

## **6. Findings**

To sum up, it should be noted that there are the following scientific results obtained.

We identified the main factors that ensure the sustainability of regional development by increasing the competitiveness of its economy and the formation of the prerequisites for its successful integration into the system of inter-regional and international economic relations based on the use of the latest technical, organizational, management, educational technologies in the processes of economic modernization.

A methodological approach to determining the level of economic development of the region is proposed taking into account the target priorities of the functioning of the authorities. The approach makes it possible to justify the mechanisms of using the existing potential of the territory within the implemented model of managing the socio-economic development of the region in order to ensure conditions for the increase of social benefits for society from economic entities.

## 7. Conclusion

Thus, the most important task of the socio-economic development of Russian regions at the present stage is their integration into inter-regional and international economic relations on the basis of the formation of competitive economy, which ensures a high degree of its adaptability to world's economic trends. It seems that the solution of the indicated problem is possible only by creating a sustainable innovation and investment platform of the regional economy, the formation and development of which is a priority task of regional authorities in the field of economic policy.

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