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WAYS TO IMPROVE INSTITUTIONAL REGULATIONS OF INNOVATIVE ECONOMY TRANSFORMATIONS IN THE RA

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Abstract: Innovative transformations of the economy require the availability of financial and non-financial resources, as well as state support. In this regard, the institutional regulations of innovative transformations are important, which are not yet systemic in the Republic of Armenia, and therefore operate ineffectively. The article proposes to develop a concept of innovative transformation of the economy, taking as its main pillars the provision of financial privileges, increasing economic competitiveness and ensuring resources for the introduction of innovations. At the same time, the key goal of the proposed concept is to increase the living standards of the population as a result of innovative transformations of the economy.

Keywords: innovative economy, living standards of the population, innovation development concept, economic competitiveness, innovative transformation.

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Research aim: The aim of the research is to propose ways to improve the institutional regulations of innovative transformations of the economy of the Republic of Armenia.

Research novelty: the concept of innovative transformations of the economy was proposed, coordinating financial privileges, competitiveness criteria and resource capabilities for introducing innovations, targeting the increase in the standard of living of the population.

Introduction

The impact of the innovative economy on the standard of living of the population is most effectively manifested in the conditions of the formation of a conducive ecosystem and the structure of its activities, when, in parallel with digitalization, the introduction of innovations, electronic governance, and the exploitation of advanced technologies, legislative reforms that contribute to these processes take place and a clear policy is in place.

The basis for legislative regulations on innovation policy in the Republic of Armenia was laid in 2005, with the adoption of the 2005-2010 Innovation Development Program. Then the following year, the RA Law "On State Support for Innovation Activities" was put into effect, thereby defining the priority areas of the innovation sector.

It is noted in the professional literature that although the above-mentioned law specifies the directions of state support for innovation activities, the forms of state support are not specified, there are no defined targets, and in general there is a lack of certainty and measurability (Tadevosyan, 2023).

Research results

Still, according to the RA Law "On State Support for the Information Technology Sector" adopted in 2014, the purpose of state support is to contribute to increasing competitiveness, attracting skilled labor and continuously improving skills through ensuring competitive salaries (incomes), implementing scientific research programs through grant programs, and supporting the establishment of start-up organizations. Start-up companies with no more than 30 employees are granted a tax exemption for an initial period of 5 years, and those that received a certificate after January 1, 2019, until December 31, 2023, at a rate of 0% profit tax and 10% income tax.

State support was further clarified by the RA Law "On State Support for the High-Tech Sector" adopted in 2024, according to which the main principles of state support for the high-tech sector were established and the relations related to the formation and operation of the system for implementing state support in this sector were regulated.

Although Article 4 of the above-mentioned law refers to the principles of state support for the high-tech sector, they are not clearly defined. It only records the goals of state support for the high-tech sector, such as increasing competitiveness, attracting new labor, continuously improving employee skills, and strengthening the position of the country as an exporter of products. At the same time, the law does not clearly outline in what directions the strengthening of competitive positions should be assessed.

The RA Law "On State Support for the High-Tech Sector" provides support for labor migrants who perform professional work

and are considered employees of a given economic entity. State support is provided to the business entity in the amount of 60 percent of the income tax calculated on the salary and other payments equivalent to it of the migrant worker. Support is also provided for attracting new employees in the amount of 60 percent of the income tax calculated on the salary and other payments equivalent to it of the new employee.

It is noteworthy that Article 13 of the RA Law "On State Support for the High-Tech Sector" provides for monitoring in order to control compliance with the requirements of persons receiving state support. Monitoring is carried out through the collection of data on economic entities, data verification, comparison, assessment, and analysis, but the set of tools by which the progress of high-tech development will be measurable is not specified.

According to the protocol decision of the RA Government of February 17, 2011, on approving the concept of the initial strategy for the formation of an innovation economy, the concept of the initial strategy for the formation of an innovation system is called upon to present the vision of the strategy for the formation of an innovation support system in Armenia, the main strategic initiatives of the first stage, the set of support tools, and the expected results. According to this document, the following fundamentals of the formation of an innovation system are recorded:

The formation of an innovation system should be oriented towards market demand.

- ✓ The formation of an innovative economy implies a systemic approach. It requires close cooperation between various state

structures, as well as between the private and scientific and educational sectors.

- ✓ Each source of demand implies the development of a unique group of elements of the innovation system.
- ✓ Human capital plays a central role in building a knowledge-based economy.
- ✓ One of the prerequisites for the success of the strategy is the correspondence of the scale, timing, and sequence of initiatives to the goal.
- ✓ The state's investment should be significant at the initial stage of strategy implementation and then reduced by changing the focus of the initiatives.

It is noteworthy that the RA Government Resolution No. 355-L of March 26, 2020 "On Approval of the Economic Modernization Measure" aimed to create access to affordable financial resources for economic operators to modernize production capabilities and promote the introduction of new technologies to the Republic of Armenia, which will lead to increased competitiveness of manufactured goods and services and increased labor productivity. Support is provided to economic operators in the form of subsidizing the interest rate of targeted loans/leasing received from banks or credit organizations.

In our opinion, it is necessary to adopt a concept for the development of an innovative economy in the Republic of Armenia, which will clearly outline not only the tax and financing privileges provided for the development process, the directions and objectives of state support, but also the vision that will guide the development

of an innovative economy. In this regard, we propose ways of institutionalizing innovative transformations of the economy that will stem from the vision for the development of an innovative economy (see Figure 1).

Table 1. Terms of subsidizing loans/leasing provided for economic modernization

Source: Resolution of the Government of the Republic of Armenia "On Approving the Economic Modernization Measure" dated March 26, 2020 N 355-L

Type provided Subsidy period	Amount of loan/lease	Subsidy period	Loan/lease term
Equipment, components, parts 120 months	Up to 200 million AMD	Up to 42 months	Up to 120 months
	More than 200 million AMD	Up to 36 months	Up to 120 months

Until now, official documents have not yet clarified what the vision for the development of the innovative economy in the Republic of Armenia is, and what goals the state pursues in the transformation of the innovative economy in the foreseeable future. And these goals are multi-dimentional: increasing the country's competitiveness, ensuring the resilience and stability of the economy, strengthening the defense against external vulnerability of the economy, improving the social situation of the population, and preventing innovative risks (Khachatryan, 2024). In the professional literature, special importance is attached to increasing the standards of living of the population through the innovative economy (Kucheriava and Korolyov, 2023), which we propose to consider as a key pillar of the proposed concept for the

development of the innovative economy (Khachatryan and Khachatryan, 2025).

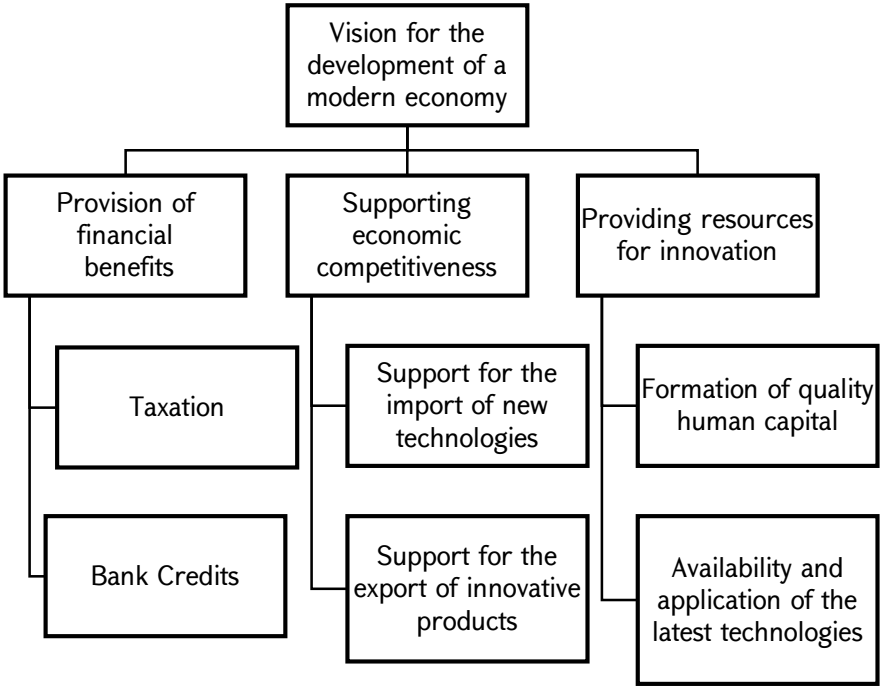


Figure 1. Pillars of the proposed concept for the development of the innovative economy.
Source: *Author's own work.*

Conclusion

In the proposed concept for the development of the innovative economy, based on the progress of the standard of living of the population, we propose the following key components:

- ✓ promotion with financial privileges through the provision of tax incentives and credit subsidies,

- ✓ support for the improvement of the innovation environment through the introduction of new technologies and the application of customs incentives for the production of innovative products,
- ✓ access to resources for the introduction of innovations through the availability of a qualified workforce and the formation of opportunities for the adotion of the latest technologies that ensure sustainable development,
- ✓ increasing the level of social responsibility and inclusiveness of business through resource-saving production, "smart" technological solutions, environmental protection, and digitalization of economic management,
- ✓ prevention of innovation risks, that can negatively affect the living standards of the population and cause uncertainties in institutional regulations.

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ՏՆՏԵՍՈՒԹՅԱՆ ՆՈՐԱՐԱՐԱԿԱՆ ՓՈԽԱԿԵՐՊՈՒՄՆԵՐԻ ԻՆՍՏԻՏՈՒՑԻՈՆԱԼ ԿԱՐԳԱՎՈՐՈՒՄՆԵՐԻ ԲԱՐԵԼԱՎՄԱՆ ՈՒՂԻՆԵՐԸ ՀՀ-ում

Մեսրոպ Մեսրոպյան
Հայաստանի պետական տնտեսագիտական համալսարան
ասպիրանտ

Բանալի բառեր - նորարար տնտեսություն, բնակչության կենսամակարդակ, նորարարության զարգացման հայեցա-

կարգ, տնտեսության մրցունակություն, նորարարական փոխակերպում:

Տնտեսության նորարարական փոխակերպումները պահանջում են ֆինանսական և ոչ ֆինանսական ռեսուրների առկայություն, զուգահեռաբար՝ նաև պետական աջակցություն: Այս առումով կարևորվում են նորարարական փոխակերպումների ինստիտուցիոնալ կարգավորումները, որոնք դեռևս Հայաստանի Հանրապետությունում համակարգային բնույթ չեն կրում, ուստի և անարդյունավետ են գործում:

Հոդվածում առաջարկվում է մշակել տնտեսության նորարարական փոխակերպման հայեցակարգ, նրանում որպես հիմնասյուներ ընդունելով ֆինանսական արտոնությունների տրամադրումը, տնտեսոյան մրցունակության բարձրացումը և նորամուծությունների ներդրման ռեսուրսների ապահովումը:

Ընդ որում, առաջարկվող հայեցկարգի առանցքային նպատակադրում է առաջարկվում տնտեսության նորարարական փոխակերպումների արդյունքում ազգաբնակչության կենսամակարդակի բարձրացումը:

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