

## STATE - BANK PARTNERSHIP IN THE DEVELOPMENT OF INNOVATIVE POTENTIAL OF UKRAINE

**Setting the problem.** The problem of economic development by an adequate mechanism of interaction between government authorities and businesses is successfully solved in most industrialized countries. In Ukraine, further social and economic development is impossible without using the mechanism of public and private partnership because of the limited resource base of the state, own financial means of enterprises, high interest rates on loans and high economic risks. Under such conditions the extremely important relevant tasks include the research process to create a favorable environment for domestic business, an important component of which is forming an alliance of banks, businesses and government.

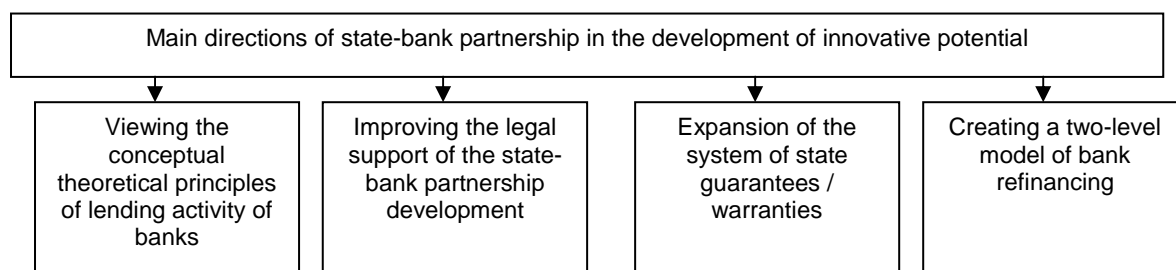
**Analysis of recent research and publications.** Common problems of using the public (municipal) debts and credit resources for the development of partnership between the state and private capital were directly investigated by R. Barro, A.V. Bazhenov, V.A. Belov, S.L. Brue, D.L. Golovachov, Yu.A. Danilov, E. Domar, B.I. Zlatkis, A.A. Liovchenko, A. Lerner, F. Raboutstsi etc. However, the basic directions of implementing the state bank partnership mechanism in the banking system of financial support for innovative potential are not enough investigated. So the lack of theoretical understanding of problems arising as in the operation of public and private partnership mechanism in general and in certain areas of its development slows the implementation in the formed market relations. The use of accumulated substantial financial resources of the representatives of the domestic banking sector will help to organize and direct the potential of the alliance of the state and banks to solve the problems of innovative potential development.

**Setting the objective.** Based on these facts, the main aim of the present study is to identify the key areas of the state bank partnership in the development of innovative potential and develop proposals for their implementation.

**The main material of the research.** In the world practice, public and private partnership is based on the fair distribution of necessary organizational, financial, industrial and other risks that provides all participants with an acceptable outcome [3, p. 22; 8]. However, the public and private partnership is not just the pooling of business and government resources; it is a new economic form of their interaction in order to achieve the most effective results for society. This interaction can take place in different institutional and economic ways, at different levels of the national economy, with various business entities, including banks.

The mechanism of partnership between government and banks in the sphere of developing the innovative potential has certain characteristics, unlike the state partnership with non-financial institutions. This is caused as by the special position of banks that are traditional financial intermediaries and besides their purely business brokering regulate the aggregate money supply, and the specifics of the innovative potential development. In view of the above, this partnership involves not two, but three or more partners, in particular: the state, which delegates its authority to state credit institution of banking or non-banking type; commercial bank, which serves as the financial intermediary; firms and households which are simultaneously suppliers and consumers of banking resources. Therefore, the development of aspects of the careful planning projects, enabling fast attracting investors and their capital to the economy of the country, providing maximum risk sharing by the state and its interest in solving the problems in this area and others will contribute to the further achievement of effective state bank partnership development.

The evaluation of current realities in functioning the allowance participants of innovative potential enabled to identify the following key areas of partnership development in this process, the state and the banks (Fig. 1): the review of conceptual theoretical principles of bank lending activity in the development of innovative potential; the improvement the legal system to ensure the development of state bank partnership; expanding the system of providing state guarantees / warranties; the creation of a two-level model of bank refinancing.



**Figure. 1. Main directions of state bank partnership in the development of innovative potential**  
*Source: compiled by the author*

First of all, in the context of building the principles of state bank partnership and the development of innovative potential it is worth revising conceptual theoretical bases of arranging credit activity of banks. In particular, the classification of bank loans and the distinguishing innovative loan require some clarification.

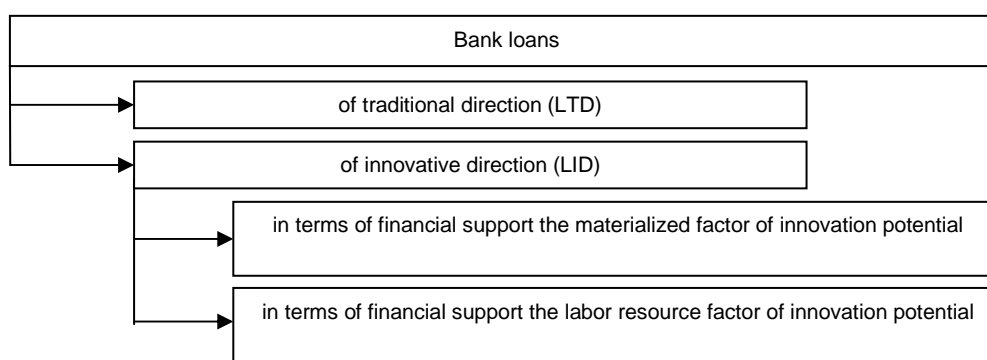
It should be noted that both in the modern scientific literature and in the practice of banks there are two main approaches to understanding the innovative bank credit:

- identification with long-term investment loans, where objects are projects for the construction, extension, reconstruction and technical upgrading objects of production and non-production purpose; acquisition of movable and immovable property; the establishment of joint ventures; the development of scientific and technical product innovation; the creation of intelligent values and other real property; measures for the protection of nature [2, p. 23];

- identification with an ordinary loan, that is bringing it together to the economic relations between the lender and the borrower on the basis of return and usually with interest payable [6, c. 210].

So, in fact innovative bank loans are not singled out as an independent group. They are washed away in common and investment schemes of bank lending that do not allow efficient organization of credit form allowance of innovative potential. However, due to the needs of innovative development of the country, on the one hand, and the possibilities of state bank partnership in the development of innovative potential, on the other hand, it is especially important. We propose to use a new classification feature of the distribution of bank loans: their adequacy to needs of innovative development of the country. On this basis, bank loans can be grouped into two blocks: of traditional and innovative direction (Fig. 2).

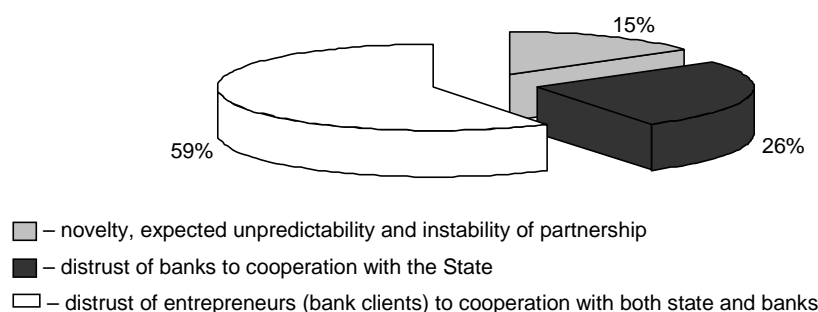
It is this distinction of LID that will provide not only the practical organization of the most important investment component of society and the most vulnerable component of the lending activities of banks but also the organization of lending components of innovative potential.



**Figure. 2. Classification of bank loans for the adequacy to needs of innovative development of the country**

*Source: compiled by the author*

An important direction of the development of state bank partnership in the development of innovative potential is improving its legal support both for elimination of existing barriers and for creation of a stable legal framework for long-term partnership development. It should be noted that according to the results of a questionnaire survey in Ukraine on the matter of implementation of state bank partnership a number of obstacles were revealed, the most significant of which is a novelty, expected unpredictability and instability of partnership, distrust of banks to cooperation with the government, distrust of private business (bank clients) to cooperation with both the state and banks (Fig. 2).



**Figure. 3. Distribution of respondents' replies on barriers of introducing state-bank partnership in Ukraine**

*Source: compiled by the author*

Among the most significant obstacles of introducing state bank partnership in Ukraine the distrust of entrepreneurs (bank clients) to cooperation with both state and banks (59% of responses) belongs to a particular problem. In our opinion the task of eliminating this barrier has a systemic nature, which makes it necessary to improve primarily legal support of state bank partnership.

It should be noted that Ukraine is far behind the leading countries in the development of legal mechanisms for implementing public-private partnership in the sphere of innovations. Thus, the Law of Ukraine "On Public-Private Partnership" has large gaps, that make it impossible for transparency of future projects of public-private partnerships and, in particular, can lead to a monopoly of public authorities that will cooperate in this field, and it also doesn't contain the regulatory standards relating to innovation activity [1].

In addition, there are no indirect methods of maintaining scientific research and innovation activity in Ukraine – tax and depreciation benefits, deferred taxation, preferential loans, etc.

Therefore, it is expedient to introduce necessary amendments to the Tax Code of Ukraine in order to expand the scope of use of preferential regimes and stimulation of innovations.

Despite the fact that the legal system of Ukraine provides some opportunities for using new legal, organizational, economic and financial instruments of maintaining the program of public and private partnership, public authorities have quite limited possibilities for their application.

So, with this in mind, we suggest the following directions for improving the normative and legal regulation of the development of state bank partnership:

- removing obstacles to its implementation at the legislative level;
- elaboration and coordination of its national, industrial and regional strategies;
- ensuring transparency of public-bank partnership;
- expansion of legislative base with governing norms of innovative activity;
- maximum protection of the rights and interests of participants of state bank partnership;
- creation the system of both direct and indirect support of its members;
- regulation of system of selection participants of state bank partnership;
- empowerment of government authority of executive power on the application of instruments of maintaining the programs of state bank partnership;

➤ creation bodies of control over the projects of public and private partnership. An important tool to stimulate the development of state bank partnership in the development of innovative potential may be the creation of the system of state guarantees. World experience confirms that the providing of state guarantees through the system of guarantee funds allows you to divide the risks of lending between banks and the state, and has a multiplier effect, because on each currency of guarantee can give in average of 1.5–2 monetary units of credit.

In the most countries guarantee funds take on the risks associated with the creation of innovative and knowledge-intensive projects. There are more than 70 such guarantee funds in Russia and increasingly banks extend loans under government bails.

In addition, it is expected to create a system of maintenance funds of innovative activity in Russia, including funds of start business and venture entrepreneurship, including fund of innovations in the in sphere of information technology and venture innovation.

In Ukraine, the State Agency on Science, Innovations and Informatization just initiated the creation of Ukrainian venture fund and fund of supporting of small business innovation [4].

In general, the system of guarantee funds in Ukraine could significantly expand by the way of:

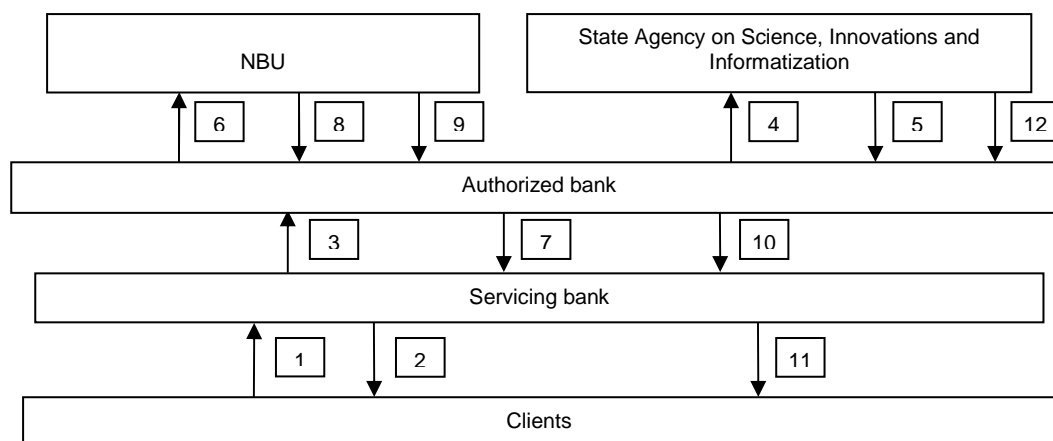
- shortening the terms of obtaining with the bank funding with guarantee in case of default of the borrower;
- further increasing the capitalization of guarantee funds for the purpose of expansion volume of issued guarantees and increasing reliability of directly funds;
- consideration of industry specifics of business entities of a particular region in establishing industrial limits for guarantee funds;
- active exchange of experience between the guarantee fund unification of their activities at the regional and national levels;
- inclusion sureties of funds with high ratings to the list of quality maintenance.

An effective direction of state bank partnership in the development of innovative potential in Ukraine could be the development of a two-level model of refinancing banks that implement innovative lending.

For this purpose, it is advisable to create a special bank institution or delegate appropriate powers to the individual commercial bank that will be in state ownership and will work directly with the National Bank of Ukraine under a separate legislatively approved document.

It will intensify the use of the accumulated bank capacity for organization and maintenance of credit processes, ensuring priority refinancing of banks, that lending the development of specific component of innovation potential, without overloading of expense of the State Budget of Ukraine.

Two-level model of bank refinancing is shown in Figure 4.



1. the presentation of an application to the servicing bank about the necessity of the client to obtain LID;
2. making available to a client assessment results of its creditworthiness;
3. to present documents of the servicing bank to the authorized bank to obtain conditions of refinancing to provide LID to a particular borrower;
4. presentation by the authorized bank the relevant documents to the State Agency on Science, Innovations and Informatization, that confirming the results of the evaluation of creditworthiness of the client, and the request about the results of the evaluation of innovative significance of the project, that is subject to crediting;
5. making available by the State Agency on Science, Innovations and Informatization to the authorized bank assessment results of innovative significance of the project, that is subject to crediting;
6. presentation by the authorized bank to the National Bank of Ukraine documents to obtain refinancing conditions to provide LID particular borrower;
7. making available to the servicing bank by the authorized bank of evaluation results of innovative relevance of the project that are subject to crediting, and oriented periods of crediting;
8. making available by the National Bank of Ukraine to the authorized bank conditions and oriented terms of refinancing;
9. granting the credit of refinancing to the authorized bank by the National Bank of Ukraine;
10. granting the credit of refinancing to the serving bank by the authorized bank;
11. granting LID by the servicing bank to the client;
12. granting the State Agency on Science, Innovations and Informatization the package of guarantee obligations before banks in case of failure to return credit.

**Figure. 4. A two-level model of bank refinancing**

*Source: created by the author*

With this model, the banks get cheap resources for the implementation of socially important areas of lending, which will facilitate efficient the operational providing the acceptable level of profitability and risk reduction.

In other words, this partnership will create a real opportunity to optimize banking eternal dilemma: resources – profitability – risk.

It should be mentioned that refinancing operations banks of the National Bank of Ukraine carries through quantitative or percentage tender, constantly refinancing line (overnight loan) just under providing, except for overnight loans (blank) [4]:

- government securities (bonds of domestic and foreign state loan of Ukraine) and other debt liabilities of Ukraine;
- business entities' bills – residents of Ukraine, which takes into account by the bank at a discount rate no lower than the discount rate of the National Bank of Ukraine.
- In some cases, the National Bank of Ukraine may implement refinancing of banks under the maintain nonresidents' bills, that are guaranteed by the foreign banks with the rates not below "investment class";
- double warehouse certificates that contain warehouse and pledged certificates, in case of granting the credit with the help of bank on their maintenance;
- mortgage certificates with fixed income;
- bonds of enterprises that freely circulating in the market or with the additional collateral;
- municipal bonds that freely circulating in the market.

It should be improve a system of maintenance of refinancing operations in implementing of the two-level model of refinancing banks, because the development of individual components of the innovative capacity does not always provide available of mentioned objects of collateral.

Thus the use of two-level mechanism of refinancing will provide such opportunities:

– at the state level (the National Bank of Ukraine and the State Agency on Science, Innovations and Informatization:

- to highlight the most social significant innovation projects that require of financial support, have perspective effectiveness but are not subject to preferential government funding;
- to direct the cheapest resources of society to the development of innovative potential without overloading expenditure side of the State Budget of Ukraine;

- to guarantee fulfillment of the obligations to banks in case of failure to return credit;

– at the level of the authorized bank:

- to provide intermediary support of crediting of innovative projects in the order of refinancing;
- to control targeted and priced use of resources that were provided in the order of refinancing by establishing single percents on the loan and the prohibition of unilateral raising the bank interest according to the concluded bargains.

– at the level of servicing banks:

- to implement initial screening of clients and innovative projects;
- to implement monitoring of borrowers and credit risks;
- to provide operational and technical support of lending of innovative projects.

**Conclusions from the study.** Thus the result of identification key areas of state bank partnership in the development of innovation potential is the development of proposals for their implementation.

In particular, it has been proved expediency of application of a new classification characteristic of the distribution of bank credit – their adequacy to needs for innovation development of the country.

It has been found the greatest obstacles of implementation of state bank partnership in Ukraine: distrust of private entrepreneurs (bank clients) to the cooperation with both state and banks, inadequate or normative and legal regulation of public-bank partnership; differences in national, branch and regional strategies of public-bank partnership; insufficient transparency of projects and protection of the rights and interests of participants in state bank partnership; the lack of regulation of selecting participants of state bank partnership; restriction of opportunities of government authority on the application of instruments maintain programs of state bank partnership, etc.

It has been identified key directions of the development of state bank partnership in the development of innovative potential: review of conceptual theoretical principles of lending activity of banks; improvement of the legal providing of the development of state bank partnership; expansion of the system of state guarantees / sureties; creating a two-level model of bank refinancing.

Expanded assessment of identified in the present study the ways of development of state bank partnership in the development of innovative potential of Ukraine, manifestation of national and branch specificity are prospects for further research in given direction.

## References

1. On Public and Private Partnership: The Law of Ukraine from 01.07.2010 No 2404-VI, available at: <http://zakon.rada.gov.ua>.
2. Bocharova, N. (2009), "Development of innovation and scientific and technical policy of the European Union in terms of the implementation of a new cycle Lisbon strategy for economic growth and employment", *Theory and Practice of Intellectual Property*, no 1, pp. 46–60.
3. Maksimov, V.V. (2010), *Gosudarstvenno-chastnoye partnerstvo v transportnoy infrastrukture: kriterii otsenki kontsessionnykh konkursov* [Public and Private Partnership in the transport infrastructure: evaluation criteria of concession tenders], Alpina Publisher, Moscow, Russia, 178 p.
4. News of the World, available at: [http://rss.novostimira.com/n\\_1904199.htm](http://rss.novostimira.com/n_1904199.htm)
5. The official site of the State Agency on Science, Innovation and Informatization of Ukraine [Electronic resource], available at: <http://dknii.gov.ua/>
6. Peresada, A.A., Maiorova, T.V., Liakhova, O.O. (2005), *Proektne finansuvannia* [Project financing], textbook, KNEU, Kyiv, Ukraine, 736 p.
7. Refinancing of banks in the conditions of economic growth, available at: [http://buklib.net/component/option,com\\_jbook/task,view/Itemid,99999999/catid,112/id,2490/](http://buklib.net/component/option,com_jbook/task,view/Itemid,99999999/catid,112/id,2490/)
8. Taranenko, I.V., Okhinko, O.V. (2011), Public and private partnership in the innovation sphere: international experience and prospects of the development in Ukraine, available at: [http://nbuv.gov.ua/portal/Soc\\_Gum/bmnef/2011\\_1\\_4/58.pdf](http://nbuv.gov.ua/portal/Soc_Gum/bmnef/2011_1_4/58.pdf)
9. Yakunin, V.I. (2007), "Partnership in the mechanism of state management", *Social research*, no 2, pp. 18–22.

## **Shaperenkov A.V. STATE - BANK PARTNERSHIP IN THE DEVELOPMENT OF INNOVATIVE POTENTIAL OF UKRAINE**

**Purpose.** The purpose of the article is the identification of key areas of state bank partnership in the development of innovative potential and elaboration of proposals for their implementation.

**Methodology of research** The study used general scientific methods, in particular methods of theoretical generalization – to study the problem of economic development by an adequate mechanism of interaction of government bodies and business; systematic approach – to clarify the concept of "state bank

partnership”; methods of analysis and synthesis – to identify the biggest obstacles of introducing the state bank partnership in Ukraine, as well as distrust of private business (bank customers) to cooperation with both state and banks; methods of classification – to summarize the identification of key areas of state bank partnership in the development of innovative potential; graphical method – for schematic representation of the two-level model of refinancing banks engaged in innovative financing.

**Findings.** The basic directions of state bank partnership in Ukraine have been investigated: the review of conceptual theoretical principles of bank lending activity; the improvement of the legal system to ensure the development of state bank partnership; expanding the system of providing state guarantees / warranties; the creation of a two-level model of bank refinancing. Application of the new classification feature of bank loans has been substantiated: their adequacy to needs of innovative development of the country, which allowed grouping all bank loans into two blocks: loans of traditional and innovative direction. We have found a number of significant obstacles of introducing the state bank partnership. The system parameters of providing state guarantees in the development of innovative potential have been expanded. The creation of a two-level model of refinancing the banks engaged in innovative lending has been offered.

**Originality.** We have used a systematic approach in justifying the new classification features of bank loans: their adequacy to needs of innovative development of the country, which allowed grouping all bank loans into two blocks: loans of traditional and innovative direction.

**Practical value.** The application in practice of the new classification feature of bank loans which is adequate to the needs of innovative development of the country, makes it possible to group all bank loans into two blocks: loans of traditional and innovative direction and provide on this basis the legal regulation of state bank partnership and reduce the difference in national and regional strategies.

**Key words:** bank, guarantee, innovation, state bank partnership, potential, refinancing.