INNOVATIONS AS AN OBJECT OF INVESTMENTS

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Abstract: *The article discusses the importance of investing in innovations as a subject of investment activity, emphasizing the criteria and functions of innovative products. It also explores different types of investments in innovative endeavors.*

Key words: *innovations, investments, sources of investment, leasing, forfaiting franchising.*

In a market economy, one of the main factors of economic growth is innovation, implemented in production, operation, and consumption. Implemented innovations ultimately lead to an increase in entrepreneurs' income and an improvement in the standard of living for the population.

The success of innovative activities largely depends on factors such as the organization of innovation and methods of financial support. As scientific research and technology become fundamental components of a country's national strength, developed countries find various opportunities to support and develop innovations. This expands the variety of funding methods for innovative activities and the range of measures for indirect support of innovations.

Today, the field of innovation is a fundamental pillar in enterprise management, which should ensure sustainable economic development for the organization, enhance the competitiveness of its products and services. The goal of this work is to reveal the essence and significance of innovation as an object of investment activity. In economic literature, there are numerous definitions of the term "innovation," indicating that innovations cover almost all spheres of societal activity and can have technological, organizational, or process components.

Innovation is understood as new or improved products, technologies for their production or application, enhancements in organization, production, and product distribution that provide economic benefits, create conditions for such benefits, or improve product consumer properties.

Innovations in various economic sectors are impossible without financial investments. In order for a company to profit from its activities, increase productivity, and achieve socio-economic effects, the enterprise needs to make financial investments. Sources of investments can be classified as follows:

- budget allocations;
- foreign investments;
- own funds of enterprises;
- unused capital of organizations and financial institutions;

- population savings.

Budget allocations are monetary funds allocated by the state, regional, or local budget for financing specific purposes and tasks, as well as for the development and support of the work of certain individuals or organizations. The allocated funds for the development and implementation of innovative products are limited in nature, and the forms and sizes of budget investments in innovation vary significantly depending on the direction of the politico-economic conditions.

Foreign investments refer to the investment of non-residents' funds in entrepreneurial activities. The implementation of these investments in innovative activities is possible in the form of intergovernmental or intergovernmental programs for scientific-technical and economic cooperation, private investments from foreign financial organizations and private entrepreneurs.

Own funds of the enterprise are the main source of financing for innovative activities and represent the monetary value of the company's assets.

Moreover, to ensure funding for an innovative product, an entrepreneur can obtain a bank loan, which is issued based on the principles of urgency, payability, and repayability. In the innovation sector, in addition to traditional forms of borrowing, such types of financing as factoring and franchising have become widespread.

Leasing is a type of financial lease. Its essence lies in the fact that a leasing company acquires assets necessary for the enterprise, such as equipment, vehicles, buildings, and leases them to the lessee, remaining the owner of these assets. At the end of the lease agreement, the lessee returns the leased property to the lessor or buys the leased object at its residual value. During the entire period of operation, the lessee pays a fee for using the assets, including depreciation and the lessor's income.

Factoring is a form of financing in which commercial credit is transformed into bank credit. In the absence of sufficient funds for an innovative project, an investor issues a set of bills of exchange. The repayment terms of the bills of exchange are evenly distributed over time. Thus, the investor receives a payment deferral and bank guarantees to secure payments.

The most common form of attracting funds into innovative activities is franchising. Commercial concession consists of the right holder providing, for remuneration, the user with the right to use their proprietary assets in innovative activities: trademarks, company reputation, technologies, know-how, etc.

Therefore, innovation is the end result of innovative activities embodied in the form of a new or improved technological process used in practical activities. Without the application of innovations, it is practically impossible to create competitive products with a high degree of scientific intensity and novelty.

In a market economy, innovations are an effective means of competitive struggle as they lead to the creation of new needs, cost reduction of products, influx of investments, enhancement of the image (rating) of producers of new products, opening up and capturing new markets, including external ones.