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Improving Efficiency of Economic Functions by Innovative Modernization

Saidkarimova Matlyuba Ishanovna, Tursunov Alisher Mukhamednazirovich, Karieva Latofat Saidkarimovna

Assistant Professor, Department: "Industrial Economics" Tashkent State Technical University, Uzbekistan
Assistant Professor, Department: "Industrial Economics" Tashkent State Technical University, Uzbekistan
Senior Lecturer of the Department: "Industrial Economics" Tashkent State Technical University, Uzbekistan

ABSTRACT: In this paper work it is disclosure of the essence of innovation and modernization of production in economy. Some practical aspects of improving the functioning of the national economy through its modernization on an innovation basis are considered. Furthermore, economic functions in each sectors by implementing modern science and technology, such as Research and Development and high level of decision making contribute effective economic growth in the country. Various types of modernization provide innovation under state reforms directed foreign direct investment, macroeconomic stability and sustainable growth for human development in regions.

KEYWORDS: production efficiency, innovation, competitiveness, modernization, modernization strategy, industry modernization.

I. INTRODUCTION

The key problem of the economy at all times has been the issue of increasing production efficiency in every sectors of the economy.

It is known that production efficiency is a multidimensional and complex concept, considered both in economic and social aspects. At the same time, if in economic terms economic efficiency reflects the effectiveness of the use of production factors (labor productivity, material intensity of production, capital productivity, capital-labor ratio), the social aspect is characterized by a change in the nature and content of labor, improvement of its conditions, development of employees' creative approach to their activities.

II. RESEARCH METHODOLOGY

This paper is diagnostic and exploratory in nature. Research is based on the analysis of key indicators of social and economic development of the Republic of Uzbekistan. They are brought together from various national and international research articles, the official site of the State Committee of the Republic of Uzbekistan statistically, the Ministries of Foreign Economic Relations, Investments and Trades of the Republic of Uzbekistan, etc. In work methods of the statistical and economic analysis, a method of expert assessment and a method of calculation of cost efficiency are applied.

III. DISCUSSIONS

It should be noted that the social and economic development of all countries of the world in modern conditions is based on the ongoing innovation process in all sectors of the economy, and the prospects for its further development are primarily related to the level of science and technology that affects, ultimately, on the volume of production, the competitiveness of national economies, their defense and, ultimately, on the quality of life of people. Consequently, problem improve the efficiency of production can be successfully resolved in the transition of the national economy to an innovative type of development, which in turn requires the modernization of the economic, political and social spheres.

And innovations are the driving force of economic development, i.e. - this is a new approach to the design, production and marketing of products. Thanks to innovations, production costs are reduced, first of all, transaction costs, its quality and competitiveness not only in the global market, but also in the domestic market, increase.



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It should be noted that in one of the important directions of improving the efficiency of production and the economy as a whole is its **modernization** based on innovation. It is modernization, and not, as many assume, renovation and repair of obsolete and physically worn-out equipment, which is often the case today. Modernization is a complete replacement of equipment with modern, not just new, but more productive equipment. It can be done in the following ways:

- due to the increasing competition today, the reduction of the resource base and the pressure of modern technologies, it is possible to carry out *technical modernization*. It is based on the use of domestic equipment, which sometimes has a relatively low productivity, inferior in manufacturing quality, and in appearance, similar to foreign equipment, but significantly lower in price - up to several times. As a result, the cost of production will be sharply reduced, and the increased production will lead to an increase in profits;
- countries that do not have their own modern equipment can carry out *modernization based on the use of licensed equipment*. But licensed equipment is often inferior in quality to the original, while the price for it can be high. In this regard, this path of modernization is not always popular among manufacturers;
- it is much more efficient in such cases to carry out *modernization on the basis of foreign equipment*, i.e. do not waste a lot of money on its production at a license, and buy it. Moreover, along with the purchase of equipment, its technical support and assistance in operation is also acquired. Often, enterprises in such cooperation can even get access to the world market. But note that the use of such equipment also requires a highly skilled workforce;
- *modernization of production technologies or productive innovations*. The quality of products depends not only on the state of the equipment, but also on the technology used. At the same time, first of all, it is necessary to introduce the results of domestic technologies;
- a significant role in increasing production efficiency is played by the *modernization of the marketing and sales system*. Beautiful consumer-friendly packaging of goods, a noticeable trademark, finding a "successful" place of sale, attractive sales conditions, and advertising are contributing to the high demand for products from consumers, and hence the growth in its production. These are not just changes in aesthetic character, say the color of products, its shape, dimensions, but changes of a different nature — for example, the production of work is not made of iron, but of plastic.

Modernization of production is not a one-time act, but in the current tough competitive conditions - constant, incessant work, one of the directions of the enterprise's strategy. There are such modernization strategies as:

- *compensatory modernization*. Enterprises operating only in the domestic market and producing a large volume of cheap products may not fully replace equipment, and some worn-out units. Of course, that will not change the qualitative state of production, but will allow the enterprise to adapt to market conditions in a short time. This method of modernization is especially inherent in small businesses, in whose hands are concentrated small material and financial resources. At the same time, an enterprise can gain leadership for a short time, but as a result of the growth in revenues, it can later produce a deeper modernization and thereby strengthen its position in the market;
- There are enterprises that have large financial resources at their disposal, but they feel a shortage of raw materials and demand and, as a result, cannot fully realize their potential. In the struggle for high quality products, such enterprises purchase expensive imported equipment. This is a *limited upgrade*;

To fully realize their capabilities, the company allows *aggressive modernization*. Based on the availability of qualified, competent management, the company can attract large financial resources and get benefits even in a state of uncertainty.

IV. STATE SUPPORT OF INNOVATION DEVELOPMENT IN UZBEKISTAN

The huge role of innovation in the economic development of the country is also seen in the highly developed countries of North America, Western Europe, and Japan, in which GDP the share of innovations can reach up to 70%, while spending on science makes up 3-4% of GDP, while in Uzbekistan this figure in 2019, it should be 801 billion sums, or 0.19% of GDP.

The introduction of innovations will give a tangible result if they are also stimulated by the state and it itself also becomes an active participant in the innovation process. So, in industrialized countries, financing of innovative projects by the state can reach up to 50%. At the same time, government support may include not only direct financing of innovations, but also preferential crediting and tax on taxation, and even exemption of R & D from taxes, protectionism policies, assistance in promoting innovations to the market, and providing innovative grants.

Decree of the President of the Republic of Uzbekistan Sh. Mirziyev No. UP-5544 of 09/21/2018 "On Approval of the Strategy for Innovative Development of the Republic of Uzbekistan for 2019–2021", the goal was set by 2021 to bring the costs of research and development to 0.8% of GDP. For this purpose, innovative funds, innovative



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banks, and venture funds have been created. A simplified system for obtaining loans, microcredit, stimulates the participation of the private sector in the financing of innovative projects.

V. CONCLUSION

Thus, from the foregoing we can draw the following conclusions:

- an important factor in the further economic development of the country is innovation - the deliberate introduction of the achievements of science and technology in order to increase profits;
- one of the sources for increasing production efficiency is modernization, i.e. such an update of production, as a result of which labor productivity increases;
- modernization of production requires less investment than expansion, new construction, since modernization implies a change in an already functioning production. At the same time, by upgrading equipment and introducing innovative technologies, an increase in production capacity is achieved;
- modernization requires solving problems based on the development and implementation of innovative technologies, ensuring accelerated development of strategic sectors of the national economy.

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