Partner banking investing mechanism in regional innovation ecosystem

Elena Kirillova*, Yuri Selyavskiy, and Dmitry Shutov

1 Smolensk Branch of the National Research University «Moscow Power Engineering Institute», Energy passage, 1, Smolensk, 214014, Russia
2 Smolensk Branch of Plekhanov Russian University of Economics, Normandy-Neman st., 21, Smolensk, 214030, Russia

Abstract. Nowadays, one of the main factors constraining innovative processes growth is the lack of financial support at innovative ideas and proposals stage of commercialization. The relevance of this topic is also due to the current transformation of macroeconomic conditions. In this regard, this study describes the proposed conceptual model and the tools that ensure its functioning on the basis of partner banking. The place of partner banking in the system of attracting financial resources in the framework of ensuring the implementation of innovative processes to achieve the strategic priorities of the development of the state is presented. The developed mechanism of their support using partner banking tools as one of the functions of the innovation ecosystem will allow to realize a number of significant advantages.

1 Introduction and analysis of existing methods, models and concepts

The relatively high level of Russian fundamental science is accompanied by insufficient development of certain applied aspects both in sectors of industrial production and other economic spheres of the Russian Federation. Nowadays one of the main factors constraining innovative processes growth is the lack of financial support at the stage of innovative ideas and proposals commercialization. The relevance of this topic is also due to the acceleration of economy digital transformation processes at various levels [1], which is why the need to create conditions for the formation of a sustainable innovation pool based on separate modernization processes through the merger, complementarity and co-development of participants in the innovation ecosystem based on information and communication technologies is increasing.

Innovative processes implementation at the present stage due to increase in their cost, resource intensity and, as a result, the involvement of participants large number, the need to minimize the time of bringing product and/or service to the market becomes quite complex and inefficient without attracting additional and, above all, financial resources [2, 3]. Since it is the lack of financial support for innovative ideas and proposals commercialization that...
2 Conceptual model of research and development tools to ensure its operation
Инновационное развитие региональной инновационной экосистемы. Изображение: разработано авторами

В стратегических приоритетах научно-технического развития страны отмечается инновационное направление, основанное на развитии и реализации результатов интеллектуальной деятельности как одного из приоритетов. Формирование устойчивого потока результатов интеллектуальной деятельности в центре современной экономики знаний. Одновременно процесс перехода от стадии создания единиц интеллектуальной деятельности к изменению условий жизни и средств производства не всегда оказывается успешным. В рамках жизненного цикла инноваций это определяется доступностью ресурсов и характеристик организаций и других участников, объединяющихся для создания их, структурных и ситуационных возможностей и ограничений реализации такой интеракции. В то же время наиболее перспективные инновационные проекты - это те, которые, в дополнение к своей эффективности, позволяют реализовать синергические и мультипликативные эффекты. Эффективные проекты, в этом случае, взаимно усиливают участников экосистемы взаимодействия, способствуя их совместному развитию и укреплению как интеграционному механизму, реализующему интеграцию финансового и реального секторов, соединяя зависимость уровня прибыльности финансовых операций от эффективности инновационного проекта [7, 9]. Это способствует устойчивому развитию как индивидуальных участников и экосистемы в целом, так и территории их местожительства. В дополнение к этому следует отметить, что существующие возможности значительнее, в части экономии на затратах и создании новых услуг для снабжения товаров, работ и услуг таких экосистем через использование современных информационных и коммуникационных технологий и создания единой информационной среды на основе цифровых платформ, которая обеспечивает доступ к всем необходимым ресурсам в нужных объемах и в нужное время, а также делает их управление более прозрачным [10].
Such integration of individual participants and elements of the innovation process into a single ecosystem also forms the space of production, economic and socio-economic relations in the localization territory, being the impetus for its transformation on the basis of one of the core principles of the ecosystem – co-development. At the same time, the potential of the region is revealed to the maximum. Modernization of the real sector of regional economy and production, in this case, prioritizes the use of local research and development results, and the level of innovation activity and their commercialization is growing. However, in a number of regions there are objective obstacles to the formation of a sustainable innovation infrastructure: the lack of a culture and practice of venture investment, adaptive network forms of business process organization and a small number of coordination mechanisms. Also, at the regional level, the task of bringing promising technologies that guarantee high added value to the market has not been effectively solved, the accompanying system of venture financing is poorly developed, there is no end-to-end financing of all stages of research, development and technological work, intersectoral and cross-financing is poorly developed. As a result, there is a need to develop and implement new tools to support innovative processes of innovative ecosystems and, above all, financial, taking into account the specifics of the regions based on the ecosystem approach. The analysis of changes in the external environment and the specifics of the implementation of the innovation process itself and its transformation made it possible to identify macroeconomic, geopolitical and local domestic prerequisites and conditions that determine the prospects for the application of the principles and elements of Islamic banking, which are presented in the figure on the right.

In order to move from a single introduction of innovations to their replication and diffusion of such experience, including for the development of the market for innovation support services, related products, there is an urgent need to attract significant investments, which can be implemented on the basis of the partner banking mechanism as an alternative to interest-bearing financing. The key feature of partner banking tools is orientation to the demand of economic entities and households for finance in compliance with the requirements and norms of Sharia. It should be recognized that the set of regulations dictated by Sharia, which establishes a system of moral values and beliefs for Muslims, has a broader meaning than making a profit. There is an analogy with the principles of corporate social responsibility, which establishes the obligations of companies in the field of society, economy and ecology. It should be emphasized that contracts of this type are distinguished by high financial stability. The possibilities of conducting economic activity on the basis of Sharia norms and potential support of this source use for the commercialization of innovations is the object of close attention of major global financial institutions and research scientists at the present time [8, 11, 12].

The first mention of the experience of introducing Islamic banking occurred in the 50s of the twentieth century in the agricultural areas of Pakistan, from where it rapidly spread to Muslim countries. Since the end of the twentieth century, many major global financial institutions (HSBC Gokong and China), Citibank (USA), ChaseManhattanBank (USA), BNP Paribas (France), UBS Group AG (Switzerland), Barclays (Switzerland), DeutscheBank (Germany) of non-Muslim states have begun to see significant commercial prospects in the organization of the work of this financial industry sectors in non-Muslim countries. The result of this integration was the expansion of the range of banking products and the complication of individual products offered by both Western financial and credit institutions and Muslim countries that have made an attempt to strengthen their presence in European countries [13].

According to official statistics provided by TheBanker magazine, as of 2020, most regions of the world are fast-growing Islamic finance markets. For the period 2015-2020 their share in the world has grown by 2.32% and according to experts' forecast estimates in the near future non-Muslim countries have a significant potential for the growth of Muslim banking assets [12].
The use of tools in this direction seems promising for supporting innovative processes in Russian practice. Since February 2023, a project is being implemented in the pilot regions of the Russian Federation to introduce the principles of Islamic banking into the activities of non-credit financial organizations. The existing volume of applications from legal entities of the Islamic Russian regions is 15 billion rubles, and the demand for partner banking products is 10 billion US dollars [14]. The Central Bank has created a project group to justify the use of a set of Islamic banking tools, the introduction of which into Russian practice does not require changes in Russian laws [18]. Since now, when making purchases, especially large ones, there is a contradiction with Russian legislation related to the re-taxation of a trade transaction, which puts Islamic banking instruments in unequal conditions compared to other classical financial instruments. Legalization of non-interest-bearing financing instruments is required. By the way, it should be emphasized that Article 5 of Federal Law No. 395-1 “On Banks and Banking Activities” prohibits financial and credit organizations from engaging in trading and insurance activities [14].

The need to diversify the sources of financing of innovative processes to hedge the risks of this high-risk investment direction, as well as to attract additional funds for national development programs, encourages the use of the experience of Islamic finance in Russian practice. One of these tools is mudaraba – a full-fledged alternative to bank deposits, combining elements of partner trust management. The main purpose of such an investment-type contract is to facilitate investment cooperation between capital owners and specialist investors [15]. The creation of a new joint venture or participation in the ownership of an existing one seems promising. For innovative processes, the possibilities of financial support and subsequent “consolidation” of the results of activities in the form of a share of rights in patents, utility models, certificates of state registration are particularly interesting, since such assets are an important part of the knowledge creation process and are of key importance for innovative products, works, services [7].

In practice, the functions of partner banking could be implemented by banks of the Russian Federation with state participation or their specially created divisions and subsidiaries [10]. This will expand the possibilities of programs for budget financing of innovations while strengthening the function of monitoring their effectiveness. In addition to the prospects of implementing partner banking instruments within the framework of innovative eco-systems based on funds from Russian financial institutions, this area can be identified as quite important from the point of view of attracting foreign institutional investors from the Middle East and Southeast Asia, which have large amounts of financial resources, experience in participating in large innovative projects and provide relatively favorable investment conditions. With Russia's limited access to global foreign stock and financial markets, the development of partner banking can serve as an additional incentive to attract investors from Muslim countries. In addition, these groups of countries have recently shown an active interest in the implementation of innovative projects and programs, digital transformation processes and integration into global value chains, and are increasingly making long-term investment decisions [7].

The development and implementation of partner banking tools to support innovative processes in Russian practice will also be a significant incentive for the development of small and medium-sized businesses, i.e. groups of business entities that have often been denied support by traditional banks. It is important to note that the attraction of financial resources in the implementation of such a form will not be limited only directly by financial means. This includes, for example, a share in the authorized capital of an innovator, or a small enterprise being created. When implementing the described mechanisms, each of the subjects of production and economic activity will have global access to resources without intermediaries.
3 Results and discussion

Thus, considered aspects of modern innovation processes implementation within the framework of the ecosystem approach to identification of mechanisms for the fastest, personalized satisfaction of them needs and formation in an optimal way allow to form the following definition of an innovative business project. This is a project related to the organization or expansion of innovative products production and involves tangible and intangible investments in fixed assets (including intangible assets). It is essential for modern trends to highlight the role of intangible assets in the value of the product and service being created, which increases the importance of new product and service development stage, as well as its commercialization. At the same time, both innovations that are aimed at radical fundamental changes in technological and design solutions in products and services, and at modifying the of organizing production and improving service quality and allowing for state and business social functions implementation ways, face problems of attracting investment. Investment support is required for single implementation for the conversion, modernization and adjustment of equipment, training and retraining of personnel. The stages of replication and diffusion of innovative experience are often also quite resource-intensive and at the same time poorly provided with sources, practical tools for their search, as well as mechanisms for attracting and ensuring the repayment of financing.

Changes in external macroeconomic, geopolitical and local regional prerequisites, conditions, and key factors at different stages of innovation process implementation expands opportunities to attract additional financial resources in new forms of financing innovative projects based on the principles of partner banking. The development of domestic infrastructure opportunities for financial support for innovations replication and the diffusion of such experience can give a new impetus to attract investment in projects of technological modernization and sustainable socio-economic development of both regions and the country as a whole, which is especially important in the context of sanctions.

Based on the analysis of modern innovation processes implementation, their features and resource provision, the place of partner banking in the system of attracting financial resources within the framework of ensuring innovative processes implementation to achieve strategic priorities of the state’s development was presented. The developed their support mechanism using partner banking tools as one of the functions of the innovation ecosystem will allow:

- to diversify the sources of financial support for innovation processes;
- to attract additional investments from Muslim countries interested in innovative solutions, including to support the implementation of national projects;
- reduce the risks of investments non-return and their payback period, as well as increase the efficiency of investments;
- to make the integration of disparate economic entities and elements of innovative ecosystems closer;
- to realize global access to resources without intermediaries in the required quantity at the required time, which will reduce the cost of their creation, and for owners the current maintenance costs;
- to risk sharing between the subjects of interaction and financial institutions;
- to cover and stimulate the development of small and medium-sized businesses;
- to support traditional ly unattractive participants of the innovation process for lending.

4 Acknowledgments

The research was supported by RSF (project No. 23-78-01197)
References


15. D.G. Alekseeva, I.E. Mikheeva, Partner banking: problems of legal regulation, protection of the rights of participants, prospects for implementation: a review of presentations at the joint scientific and practical conference of the Faculty of Law of Lomonosov Moscow State University and Kutafin University (MSU) "Actual problems of Russian law" 12, 200-212 (2016)