

CREATIVE INDUSTRIES DEVELOPMENT IN UKRAINE: FINANCIAL ASPECTS

Nazar Demchyshak¹, Vasyl Hryb¹, Khrystyna Danylkiv²

¹Ivan Franko National University of Lviv
79008 Lviv, Prospekt Svobody, 18
e-mail: nazar_dem@ukr.net
e-mail: lv22@ukr.net

²“Lviv Polytechnic” National University
79044 Lviv, street Horbachevskoho, 18
e-mail: krisdanko@ukr.net

Annotation. The article reveals the role of creative industries in economic growth and stimulating sustainable development of the country. The institutional support of creative industries functioning in Ukraine is analyzed. The key tendencies of its development are investigated and the directions of increase of its efficiency are substantiated. The expediency of taking into account the trends of development of the creative sector in other countries of the European Community (Poland, Lithuania, Hungary, Slovakia) in domestic conditions is argued. The tools of financial regulation and stimulation of creative directions of business are systematized. Proposals on priority vectors of development of creative industries in Ukraine in the post-crisis period are substantiated. Emphasis is placed on the need to ensure cybersecurity and proper protection of intellectual property rights to increase the overall level of protection of entrepreneurs in the creative industries.

Key words: creative industries, creative economy, innovations, financial incentive instruments, financial regulation, global innovation index, human capital index.

Problem statement. The powerful stimulus for creativity development is digitalization and expanding access to information technology among the population and, thus, substantial growth of potential to attract funding to implement the ideas generated. Crowdfunding, in particular, and other tools of collective funding lay the grounds for diversification of sources and allow individuals and business entities to attract significant amounts of resources, doing it relatively quickly and inexpensively that was previously impossible. Therefore, it would be wrong to ignore the increasing role of creative industries in the economic growth and promoting sustainable development of any country on the whole. It is of special importance given new opportunities for Ukraine where it is necessary to make qualitative changes in the economic structure and depart from raw material orientation, exports in particular. Since creative industries allow exporting new goods in EU countries and other states with a corresponding demand. It is also worth mentioning that the creative sector, in addition to an increase in export profits, provides for self-employment of citizens which is vital in terms of socio-economic shocks caused by the pandemic in 2020.

Analysis of the recent studies and publications. Certain aspects of creativity and creative industries development were investigated by V. Boronos, O. Chul, S. Davymuka, O. Hrynkevych, R. Florida, I. Halytsia, J. Hawkins, J. Knell, Ch. Landry, Kh. Loshkovska, I. Oleksandrenko, O. Piliasova, Ya. Senkovska, S. Tkalenko. Despite this, the modern tendency of digitalization of the national economy condition the necessity of further scientific research in this field, in particular in context of financial aspects.

Setting objectives. The goal of this article is to analyse the peculiarities and financial aspects of creative industries functioning in Ukraine and substantiate the ways to encourage its development taking into account international practices.

Presentation of the basic material of the research. Creative industries have been recognised by the EU for more than ten years, different aspects of their operation are reflected in the relevant documents and comprehensive development programs. Creative industries are a broader concept compared to traditional subsectors of culture and art. They encompass a wider range of integrated activities and subsectors. The potential of creative industries has been recognised by such international organisations as the Council of Europe, different organs of the UN, state and local authorities, and institutions almost all over the world. For a long time, the ability of these industries to form certain values had been considered amid non-material and educational aspects and their role was underestimated. However, in recent years it has been proven that creative industries can essentially influence financial and economic processes encouraging innovative activity and creating new workplaces, therefore promoting socio-economic development of countries, Ukraine in particular.

According to some estimates, the creative industry generates more than 3% of the global GDP; in addition to that, it has created about 30 million jobs. Developed countries namely the USA and Great Britain show considerable progress, they encourage creative activity at schools and later at universities [1]. Herewith, it is necessary to estimate both economic and socio-cultural impact, thus, solving a number of social issues and fulfilling persons' innovative potential at the same time, which was impossible before.

Despite British leadership, the development of the creative sector in Europe is provided by such countries as Italy, Spain, Germany, and France; Poland is also actively joining in the struggle for clients. IT sphere products play a crucial role in the creative economy sector of the named countries and most countries on the whole.

Ukraine's integration into the EU presupposes consideration of the trends in the creative sector development in different countries of the European Community, as, in the case of accession, it is important to be competitive in this market. While it will be hard for Ukraine to compete with European manufacturing countries, the rapid development of the IT sector and creative potential of the nation, generating new ideas, high level and quality of the education (as assessed by leading rating agencies), and sharing experience on different levels, especially through academic mobility of university students, suggest that the country may rank high in the economy of the euro-area countries and creative products may compete for profitable market niches.

The abovementioned allows us to state that Ukraine definitely has considerable potential; however, it is not quite fulfilled if not to take into account success in the IT industry. Thus, at present, the creative component of the national economy does not give the expected results in the form of generated innovative ideas, manufacture of certain goods and their export increase, etc. Nevertheless, the creative goods market is developing; we can see the rise in the level of digital culture of the Ukrainians, general awareness of possibilities of fundraising on crowdfunding platforms, etc., understanding of new opportunities, especially among young people who can become generators of ideas and make disruptive decisions and

develop various kinds of creativity. To our mind, the implementation of the New Ukrainian School Concept, specialized education, and appropriate commitment of higher education establishments to reveal talents and abilities will play an important role; understanding of such a need is already being formed today at the institutional level.

Despite the lack of the state's attention to the issue of creative industries development, Ukraine still provides some institutional support of their functioning that will be considered in detail. According to the Law of Ukraine "On Culture", creative industries are kinds of economic activity aimed to create added value and jobs through cultural (artistic) and / or creative expression and their goods and services are a result of individual creativity. This definition is rather general. However, a stimulus for the creative sector development was the list of economic activities that belong to creative industries (in accordance with the National Classifier of Ukraine) as approved by the Cabinet of Ministers of Ukraine (the Government of Ukraine). It specified and gave a clear understanding of their peculiarities and role in the national economy. The list covers the types of economic activities in the field of creative industries (at the stage of creation of a creative product) in the following sectors: visual, stage, audio, audiovisual art; design; literature and publishing; new media and IT; architecture and urbanism; advertising, marketing, and PR; folk art crafts; libraries, archives, and museums.

However, in 2020 Ukraine was ranked 45th out of 131 countries in the Global Innovation Index rating, which is a high indicator and once again proves the potential for the development of the industry [1]. But the problem of its speedy implementation remains open, as markets are gradually being taken over by producers of creative products from other countries. Thus, if to compare with Poland, which in recent years has shown the highest pace of economic growth in Europe and is among the top 10 European exporters of creative goods to the global market, according to international indices that characterize the creative potential of the national economy, Ukraine is not inferior, to Lithuania as well (see Table 1).

Table 1

Ranking Ukraine, Lithuania and Poland according to indices that characterize the creativity of the economy

Indexes	Ukraine	Lithuania	Poland
Global Creativity Index (2015)	45	51	46
Global Talent Competitiveness Index 2020	52	32	38
Human Capital Index 2020	53	33	23
Global Innovation Index 2020	45	40	38

Source: compiled on the basis of information from relevant organizations and rating agencies.

Note that this list is not exhaustive, in particular, to assess the development of creativity in the national economy other indicators published by various organizations can be used, including, for instance, Technology Index, Tolerance Index, components of the Global Competitiveness Index, etc.

The creative economy is made up of cultural and creative industry sectors that generate annual revenues of US\$2,250 billion and global exports of over US\$250 billion. According to recent forecasts, these sectors will represent around 10% of global GDP in the years to come. The cultural and creative industries currently provide nearly 30 million jobs worldwide and employ more people aged 15–29 than any other sector. Nearly half of the people working in the cultural and creative industries are women, opening up new opportunities to address gender inequalities. In Ukraine within the "Culture and Creativity" programme according to the methodology of "Indicators of the impact of culture on development", various studies

were conducted and showed that creative industries provide about 4% of GDP. A favourable factor is that during 2014-2020 Ukraine participated in a number of international programmes. It provided expert support in the field of culture, mentoring, grants for creative projects, necessary technical assistance, which today is insufficient due to the lack of relevant experience in general [2]. A significant number of support programmes indicates that this sector receives much attention abroad, while in Ukraine its role is still underestimated, if not to take into account the success of the domestic IT industry.

Let us consider some aspects of assessing creative industries development in more detail. In 2011 the Martin Prosperity Institute presented the results of a study on measurement of the Global Creativity Index, it covered 82 countries, including Ukraine [3], and 139 countries in 2015. The Global Creativity Index measures countries by three key indicators of economic development - technology, talent, and tolerance.

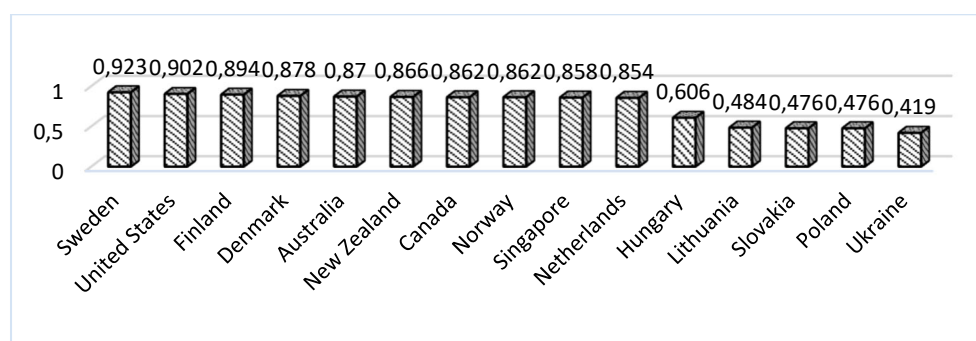


Fig. 1. Global creativity index, 2011

Source: *The global creativity index 2011 [Electronic resource] // Martin Prosperity Institute. 2011. URL: https://tspace.library.utoronto.ca/bitstream/1807/80125/1/Florida%20et%20al_2011_Creativity%20and%20Prosperity.pdf.*

In particular, the rating takes into account investments in research and development, the number of researchers and patents, the level of education, and data from sociological surveys [4].

Figures 1 and 2 represent the top 10 countries ranked by the Global Creativity Index, as well as Hungary, Slovakia, Ukraine, Lithuania and Poland.

A comparison of these figures shows that during the study period, the top ten leaders have not changed. In 2011 Ukraine ranks 49th among 82 countries while in 2015 — 45th among 139 countries, losing among its neighbours to Hungary (28th place), slightly ahead of Poland (46th place), as well as Slovakia (54th place) and Lithuania (51st place).

The huge difference between the talent index and the technology index (respectively, 24th and 43rd place) indicates that the level of new developments in Ukraine is much lower than the number of people who can potentially implement these developments.

Analysis of these figures allows us to conclude that there is a relationship between the creativity level of society and the level of development of the country: the higher the level of creativity, the greater the economic benefits for the country.

The creativity level of society is also characterized by the Global Innovation Index (Table 2), which is measured by the International Business School INSEAD, Cornell University (USA), and the World Intellectual Property Organization. The Global Innovation Index is calculated as the average of two subindices: “Innovation Input SubIndex” (assesses the conditions of innovative activity in the country, including government action to

encourage innovation) and “Innovation Output SubIndex” (reflects the results of innovative activity).

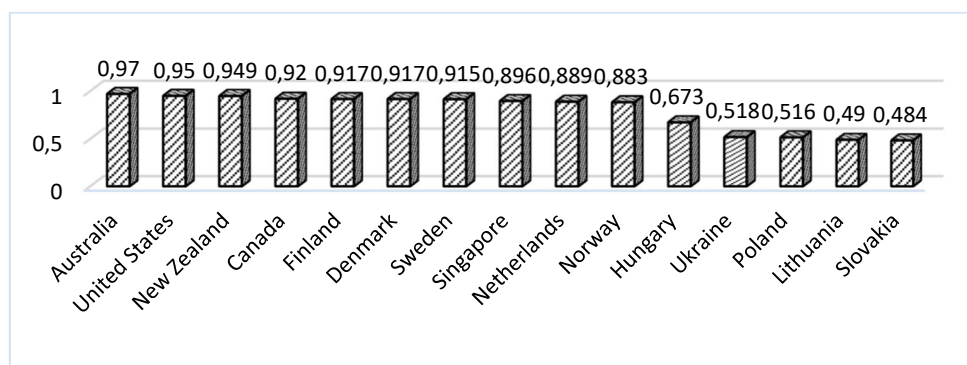


Fig. 2. Global Creativity Index, 2015

Source: The Global Creativity Index 2015 [Electronic resource] // Martin Prosperity Institute. 2015. URL: <http://boletines.prisadigital.com/Global-Creativity-Index-2015.pdf>

Table 2

Dynamics of rating positions of Ukraine by SubIndices of Global Innovation Index (GII) in 2020

Indexes	Ukraine		Lithuania		Poland	
	Score/Value	Rank	Score/Value	Rank	Score/Value	Rank
GII	36.32	45	39.18	40	39.95	38
Innovation inputs	40.14	71	49.38	36	49.09	38
Innovation outputs	32.49	37	28.98	42	30.81	40

Source: THE GLOBAL INNOVATION INDEX 2020 [Electronic resource] // World Intellectual Property Organization. 2020. URL: https://en.unesco.org/creativity/sites/creativity/files/global_report_fact_sheet_en.pdf.

Europe continues to host a large number of innovative economies. Sixteen of the innovation leaders in the top 25 are European countries, with seven of them ranking in the top 10 (Switzerland, Sweden, UK, Netherlands, Denmark, Finland, and Germany). The Czech Republic rejoins the top 25 in 2020 (24th, up by 2). Seventeen economies rank in the top 50. Seven of them climb up the ranks: Italy (28th, up by 2), Portugal (31st, up by 1), Bulgaria (37th, up by 3), Poland (38th, up by 1), Croatia (41st, up by 3), Ukraine (45th, up by 2) and Romania (46th, up by 4). Six economies rank below the top 50, with four of them increasing their ranks this year: Serbia (53rd), North Macedonia (57th), Belarus (64th), and Bosnia and Herzegovina (74th) [5].

When calculating the Global Innovation Index, countries are divided into four groups according to income level (GDP per capita). Ukraine, along with Vietnam and India, is a leader in innovation among the lower middle-income group. Ukraine’s innovation performance is higher than expected for this level of development, as evidenced by the fact that although Ukraine ranks 71st in terms of innovation investment, it creates more innovation results (37th place) compared to Poland (40th place) and Lithuania (42nd place), which invest

heavily in innovation. Thus, we can assume that Ukraine quite effectively transforms innovation resources into the results of innovation activities, given the low funding and inadequate institutional support.

The dynamics of the ranking positions of Ukraine and four other countries by individual components of the Global Innovation Index are presented in Table 3.

Table 3

Overview of countries rankings in the seven Global Innovation Index areas in 2020

Areas	Ukraine		Lithuania		Poland		Hungary		Slovakia	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Knowledge & technology outputs	35.1	25	27.1	48	32.7	36	38.2	22	34.4	30
Human & capital research	40.5	39	36.9	45	41.6	35	41.4	36	31.2	62
Creative outputs	29.9	44	30.9	40	28.9	47	29.4	46	31.3	39
Business sophistication	29.5	54	31.5	47	34.6	38	37.8	33	31.7	46
Institutions	55.6	93	76	33	73.1	39	71.3	43	72	41
Infrastructure	33.1	94	51.3	38	49.4	42	52.4	34	52.5	33
Market sophistication	42.1	99	51.2	46	46.8	69	43.4	89	45.3	82
Global Innovation Index 2020	45		40		38		35		39	

Source: THE GLOBAL INNOVATION INDEX 2020 [Electronic resource] // World Intellectual Property Organization. 2020. URL: https://en.unesco.org/creativity/sites/creativity/files/global_report_fact_sheet_en.pdf.

Thus, Ukraine's innovative competitiveness, compared to other countries, is based on two main components: Knowledge & Technology Outputs (25th place) and Human & Capital Research (39th place) (table 3).

According to UNESCO projections, due to the negative impact of COVID-19 on the socio-economic life of countries, there is a high probability that the cultural sector will not be identified as a priority for government support, especially in Ukraine with a constant resources shortage. During the first two weeks of quarantine in 2020, all spheres of creative and cultural industries in Ukraine showed approximately the same drop in sales of 50%; 38% of respondents lost 75% or more of their income during the quarantine, and 27% of them could not turn their business online and needed special incentive programs [6]. Regarding certain areas of the creative sector of the economy, every third company in the field of information and telecommunications was unprofitable (the share of unprofitable enterprises was 33.3% against 14.9% for the same period in 2019), and in the arts, sports, entertainment, and resort 55.6% of enterprises suffered losses, compared to 32% in 2019 [7].

In this context, Great Britain's experience in rebuilding creative industries can be useful for Ukraine, as this sector of the British economy is particularly important for its functioning in terms of its valuable contribution. The Creative Industries Federation of the United Kingdom, together with Creative England, has identified key tools that will be taken into account when concluding free trade agreements with European countries. According to experts, they must significantly increase the economic, social, and cultural strength of the country [8]. Taking into account the British experience and the experience of other European countries given the need to overcome the consequences of the pandemic, the government of Ukraine needs to develop an effective mechanism for implementing measures to support the creative business. This should be done taking into account priorities of restoration and boosting creative industries of the Ukrainian economy as follows:

- institutional regulation of the regulatory framework for the creative sector and improvement of legal regulation of doing business;
- encouraging the development of the domestic market of creative goods and services, which will form the foundation for the intensification of production and growth of demand;
- financial backing for the formation of various sub-sectors of the creative sector given their value as innovative and export-oriented;
- ensuring cybersecurity and proper protection of intellectual property rights to increase the overall level of business security in the creative industries.

Financial backing of the creative sector can be successfully provided by the tools as follows: granting tax exemptions; amalgamated territorial communities funding; ensuring creative spaces for young people and innovators; rent-free office and industrial premises; financing expansion from the Ukrainian Startup Fund for creative initiatives; financial support for the commercialization of innovations; co-financing of creative developments involving budget funds, investors from EU countries, in particular, the promotion of partnership in this segment in the border regions.

Amalgamated territorial communities can be an important source of funding and a tool to support the creative industry “on the ground”. After the reform in 2020, they can accumulate significant financial resources and potentially command them for the development of relevant initiatives within the community. We mean only financially strong communities here. For instance, Lviv is already implementing various initiatives to create creative spaces and coworking for IT workers, etc. The issue is to extend such initiatives and other components of the creative industry, in particular given that Lviv is an educational and cultural centre. Similar initiatives can be implemented in other cities and communities, taking into account their competitive advantages, certain features in the development of industry.

Conclusion and prospects for future research. Thus, creative industries in Ukraine should be considered as an integral part of the structure of a modernized national economy, focused on innovation and sustainable economic growth based on the use of the creativity of each individual and society as a whole.

Innovative entrepreneurship and creative industries are the key to the successful economic and social development of the country. Given these conditions, the country should continue to improve the existing system of financial regulation of IT and creative industries in the framework of existing development strategies and approved programmes by the efficient use of modern budget and tax instruments and best foreign practices, which can be adapted in Ukraine.

References

1. Creative Economy. Digital economy report 2019. UNCTAD. URL: https://unctad.org/en/PublicationsLibrary/der2019_en.pdf.
2. Ministry of Digital Transformation and the Committee on Digital Transformation of Ukraine / Official website. [in Ukrainian] URL: <https://thedigital.gov.ua/>
3. The global creativity index 2011 [Electronic resource] // Martin Prosperity Institute. 2011. URL: https://tspace.library.utoronto.ca/bitstream/1807/80125/1/Florida%20et%20al_2011_Creativity%20and%20Prosperity.pdf.
4. THE GLOBAL CREATIVITY INDEX 2015 [Electronic resource] // Martin Prosperity Institute. 2015. URL: <http://boletines.prisadigital.com/Global-Creativity-Index-2015.pdf>.

5. THE GLOBAL INNOVATION INDEX 2020 [Electronic resource] // World Intellectual Property Organization. 2020. URL: https://en.unesco.org/creativity/sites/creativity/files/global_report_fact_sheet_en.pdf.
6. Vplyv koronavirusu na kreatyvni industrii v Ukraini [The impact of coronavirus on the creative industries in Ukraine]. [in Ukrainian] URL: <https://mkip.gov.ua/content/vpliv-koronavirusu-na-kreativni-industrii-v-ukraini.html>.
7. Finansovi rezultaty diialnosti velykykh ta serednykh pidpriemstv za sichen-berezen 2020 r.: ekspres vypusk [Financial results of large and medium-sized enterprises in January-March 2020: express issue] : Official website of the State Statistics Service of Ukraine [in Ukrainian]. URL: <http://www.ukrstat.gov.ua/>
8. The projected economic impact of COVID-19 on the UK creative industries: Oxford Economics report, 15 June 2020. URL: <https://www.oxfordeconomics.com/recent-releases/The-Projected-Economic-Impact-of-COVID-19-on-the-UK-Creative-Industries>
9. The Human Capital Index 2020 Update : Human Capital in the Time of COVID-19 [Electronic resource] // World Bank Group. 2020. URL: <https://openknowledge.worldbank.org/handle/10986/34432#:~:text=HCI%202020%20data%20have%20been,the%20shock%20of%20the%20pandemic>.
10. The Global Talent Competitiveness Index [Electronic resource] // INSEAD. 2020. URL: https://en.unesco.org/creativity/sites/creativity/files/global_report_fact_sheet_en.pdf.
11. Culture statistics [Electronic resource] // STATISTICAL BOOKS EUROSTAT. 2019. URL: <https://ec.europa.eu/eurostat/documents/3217494/10177894/KS-01-19-712-EN-N.pdf/915f828b-daae-1cca-ba54-a87e90d6b68b?t=1571393532000>.
12. Pidkhomnyi O., Demchyshak N., Dropa Ya. (2019). Confidence as the national economy pricing factor: the case of Ukraine. *Espacios*. 40(20). P. 21-22.
13. Pidkhomnyi O., Demchyshak N., Dropa Ya. (2019). Population financial activity in the formation of indicators for public confidence level and shadow economy risks: the case of Ukraine. *Espacios*. 40(38). P. 16-17.
14. Panchyshyn S., Hrynkevych O., Marets O., Demchyshak N., Popadynets N. (2020). Simulation of tuition fees in competitiveness management of higher education institutions (case of Ukraine's universities). *Bulletin of the National Academy of Sciences of the Republic of Kazakhstan*. Vol. 5. P. 161-169.

РОЗВИТОК КРЕАТИВНИХ ІНДУСТРІЙ В УКРАЇНІ: ФІНАНСОВІ АСПЕКТИ

Назар Демчишак ¹, Василь Грив ¹, Христина Данилків ²

¹ Львівський національний університет імені Івана Франка
79008 м. Львів, проспект Свободи, 18
e-mail: nazar_dem@ukr.net, e-mail: lv22@ukr.net
² Національний університет "Львівська політехніка"
79044 Львів, вул. Горбачевського, 18
e-mail: krisdanko@ukr.net

Анотація. В статті розкрито роль креативних індустрій в економічному зростанні та стимулюванні сталого розвитку країни. Проаналізовано інституційне забезпечення становлення креативних індустрій в Україні. Досліджено ключові тенденції їх розвитку та обґрунтовано напрями підвищення ефективності функціонування. Аргументовано доцільність врахування трендів у креативному секторі в інших країнах євроспільноти (Польща, Литва, Словаччина) у вітчизняних умовах. Систематизовано інструменти фінансового регулювання та стимулювання креативних напрямів бізнесу.

Обґрунтовано пропозиції щодо пріоритетних векторів розвитку креативних індустрій в Україні у посткризовий період.

У умовах необхідності подолання наслідків пандемії, враховуючи напрацювання країн Європи, уряду України потрібно розробити дієвий механізм імплементації заходів підтримки креативного бізнесу. Це має бути зроблено з урахуванням таких пріоритетів відновлення й стимулювання креативних індустрій української економіки, як: інституційне впорядкування системи регулювання креативного сектору та удосконалення нормативно-правової регламентації ведення бізнесу у ньому; захист працівників галузі від негативного впливу економічної турбулентності та соціальних потрясінь, зумовлених кризою; стимулювання розвитку внутрішнього ринку креативної продукції і послуг; фінансова підтримка становлення різних підгалузей креативного сектору, враховуючи їх цінність як інноваційно спроможних та експортоорієнтованих; забезпечення кібербезпеки та належного захисту прав інтелектуальної власності.

Аргументовано, що як інструменти фінансової підтримки креативних індустрій можуть бути успішно використані такі надання податкових пільг; фінансування із бюджетів об'єднаних територіальних громад створення креативних просторів для молоді й інноваторів; безкоштовне надання у оренду офісних і виробничих приміщень; розширення фінансування креативних ініціатив із створеного в Україні фонду стартапів; фінансова підтримка комерціалізації новацій; співфінансування креативних розробок із залученням бюджетних коштів, інвесторів із країн ЄС, стимулювання партнерства у цьому сегментів у прикордонних регіонах.

Ключові слова: креативні індустрії, креативна економіка, інновації, інструменти фінансового стимулювання, фінансове регулювання, глобальний індекс інновацій, індекс людського капіталу.

Стаття надійшла до редколегії 15.10.2020

Прийнята до друку 29.12.2020