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# Determination of the economic role of creative industries in development of the national economy of Ukraine

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**Abstract**— the article identifies five infrastructural elements of creative development. It is proved that the formation of creativity by the state is a synchronous, multifaceted and time-consuming process. This process takes into account the interests of regions, creative industries and workers involved in this field. It is determined that the creative industries affect the size of the region's GDP, and stimulate the economic development of neighboring regions, and in general the economic growth of the national economy through direct, indirect and induced influences.

The article investigates the approaches to define the terms "creative economy" and "creative industries". Based on European experience, it is proven that as for today there is a close connection between creative industries and spheres of human activity. It is found that the infrastructural components of creative industries are: developing of creativity policy, strengthening of organizational capacity, supporting of business incubators and accelerators, promoting of clusters and hubs, focusing on global markets. In addition, it is proven that creativity development directly affects development of the whole country through the creativity sector as an image tool of attracting investment to the country.

**Keywords**— creative economy, creative industries, creativity policy, organizational potential, clusters, hubs, business incubators, multiplier effect

## I. INTRODUCTION

According to the UN, the growth rate of the creative economy has doubled exceed the growth rate of the services sector and four times the rate growth of industrial production. Currently, the creative economy provides nearly 30 million jobs worldwide. Creative economy is actively developing in Ukraine. Thus, in 2018 the gross value added of the creative industries amounted 97 billion UAH (3.9% of total value added), and in 2019 this index increased to 117.2 billion UAH (3.95%). In 2019, the number of entities in the creative

industries accounted for 42% of all businesses, and the number of employees was 350 thousand people, which is 3.9% of the total number of employed population in Ukraine. Thus, the main indicators that describe the creative industries of the country - gross value added, the number of entities and the level of employment show positive dynamics and testify to active development, which has a significant impact on the national economy of Ukraine.

## II. RECENT RESEARCH AND PUBLICATION ANALYSIS

Functioning and development problems of creative industries are given much attention today by both scientists and experts in this field. The most important achievements include the works of domestic scientists:

Mukhisa Kituyi (2018) this report outlines trends in the world trade of creative goods and, for the first time, services by country for the period 2005 to 2014, and provides an outlook on the global creative economy for the period 2002 to 2015. The report includes country profiles for 130 economies and highlights potential opportunities for developing countries to increase their production, exports and share in creative industries markets. The report makes the point for increased public and private sector investment in creative industries.

Launch of the global report 2018 Unesco (2018) this report examines how the 2005 Convention inspired policy change at the global and national levels in ten areas of monitoring. It sets out a set of policy recommendations for the future regarding the adaptation of cultural policy to rapid changes in the digital environment based on human rights and fundamental freedoms of expression.

Hristina Mikic (2012) the report proves that cultural sectors have a significant impact on gross domestic product,



employment, foreign trade and competitiveness. International quantitative statistics are needed to quantify this effect at the global level. However, current techniques are not used worldwide, especially in developing countries. The UNESCO Institute for Statistics (UIS) seeks to develop new guidelines for measuring the contribution of culture to the economy, which will differ from or complement current practice. To this end, this report provides a comprehensive review of the literature on current methodologies. He compares the approaches, highlighting their advantages and disadvantages.

Mykola Skyba (2021) a review of the creative industries of European countries was conducted with the assistance of the EU-Eastern Partnership Program "Culture and Creativity". Examples of products of the best advertising companies are given, the state support of the creative sector on the main components is considered.

Khaustova V. Y., Reshetnyak O. I., Poliakova O. Y., Shlykova V. O. (2020) the article aims at assessing the Ukrainian industries' participation in global value-added chains and identifying prospects for intensifying these processes. A methodical approach to assessing the Ukrainian industries' participation in global value creation chains is proposed, making it possible to determine the level of the country's involvement in the process of international labor division by industries. State policy measures to intensify the involvement of Ukrainian producers in global value added chains have been designed.

Proskurina M. (2015) The concept of creative industries and their correlation with industries of culture was reviewed. The role of government is determined in the field of the creative industries.

Nikolaeva O., Onoprienko A., Taran S., Sholomitsky Yu., Yavorsky P. (2021) research is devoted to the definition of creative industries in Ukraine. The characteristic of the concept which is used in other countries of the world is given. The current state of creative industries and their contribution to the national economy is shown. The authors compare Ukraine with countries close in terms of development. Present the results of a technical approach to assessing the impact of Ukraine's creative industries on related sectors of the economy.

At the same time, the problems of definition of economic role of creative industries in the development of the national economy of Ukraine and their impact on the development of other sectors of the economy remain insufficiently developed.

### III. RESEARCH METHODOLOGY AND METHODS

The purpose of the article is to determine the general impact of creative industries on development of national economy.

The study is based on observations of changes in economic indicators in the field of creative industries in the EU and Ukraine. The methodological basis of the study are general and specific methods: methods of analysis and synthesis, which are used in the analysis of international experience of the results of regional clusters of creative businesses in Europe; in the process

of analysis of the main economic indicators of economic entities in the field of creative industries of Ukraine. Comparative legal method - in the study of economic activities aimed at creating added value and jobs through creative expression

### IV. MAIN RESEARCH RESULTS

To determine the role of creativity in economic development of the world, we will use many popular definitions, offered by Google search system as for today. Thus, the Ministry of Culture, Information and Sport of Great Britain provides the following definition: "... the creative economy is a set of those industries that relate to individual creative skills and talents, and which have the potential to make a profit and create jobs through use of intellectual property (Mukhisa Kituyi (2018)).

At the United Nations Conference on trade and development it was determined that creative economy is a concept of creative assets that can constantly promote economic growth and development (Launch of the global report 2018 Unesco (2018)).

We believe that the term "creative economy" is wider than "creative industries", because the creative economy is a set of industries that have potential to make a profit and create jobs through use of intellectual property, and the creative industries are limited to specific industries.

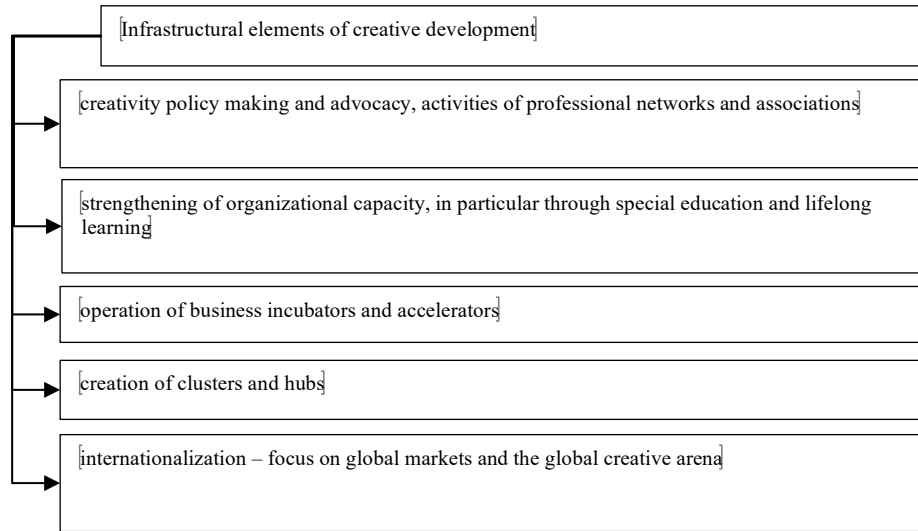
Today, the "creative industries" are the latest tools that are in great demand in the banking sector during the crisis. Let's consider these terms in more detail.

Creative industries – the total number of views, ideas, trends and directions of modern economic development, characterized by organic connections and the use of knowledge, information and creativity (creativity). Creative industries have a single platform in the form of intellectual and creative abilities of all participants in economic relations. This area is used in solving socio-economic problems of individual systems (Nikolaeva O., Onoprienko A., Taran S., Sholomitsky Yu., Yavorsky P. (2021) p. 60).

Thus, the main task of creative industries is to create and implement a "creative product". All over the world, interest in creative industries is growing rapidly due to their "penetration" into all areas of human activity, including: science, economics, publishing, programming, IT, architecture, audiovisual sector, creativity, culture, art, marketing, advertising, PR, machinery and technology (Proskurina M. (2015), p. 245; Khaustova V. Y., Reshetnyak O. I., Poliakova O. Y., Shlykova V. O. (2020)). This suggests that there is a close connection between the creative industries and the spheres of human activity.

In order for the creative industries to develop effectively, it is necessary to find out which components belong to them. Thus, in European countries there are five components that need to be considered when planning the creative development of countries (Mykola Skyba (2021)). Visual interpretation of the components of creative development is given in Fig. 1.

FIG. 1. INFRASTRUCTURAL ELEMENTS OF THE DEVELOPMENT OF THE CREATIVE SECTOR OF EUROPEAN COUNTRIES



Source: author own elaboration

This diagram shows that the development of the five components must be carried out synchronously – they all can not develop separately from each other. We will note that the countries of Europe attach great importance to creative development of the states, create conditions for financial support of the creative sector, so the separation of components contributes to the possibility of qualitative analysis and

investment in the creative sector.

State support for creative industries demonstrates today in European countries the concrete results of their creative development. Consider examples of the most powerful regional clusters of creative businesses in Europe (Mykola Skyba (2021) (Table 1).

TABLE 1  
CHARACTERISTICS OF REGIONAL CLUSTERS OF CREATIVE BUSINESSES IN EUROPE

	Regional clusters	Basic economic indicators	Characteristic
1	Internal London	more than 386 thousand creative enterprises annually generate about 19 billion pounds, which is 16% of the total economy of the British capital	IT, software and games development; television and production of movies; advertising; publishing activity; music, art and other cultural products architecture; design and fashion; crafts  music industry, book market, art, film and television industry, live performances, design, architecture, press, advertising industry, software and games
2	Berlin	more than 24 thousand creative enterprises with 170 thousand employees	
3	Ruhr region, Germany	more than 170 small businesses and organizations in which more than thousand people work, 80% of them directly belong to creative industries sphere	
4	Barcelona	140 thousand creative enterprises, which create added value amounting more than 5.7 billion euros per year, that is 3.2% of value added of all products produced in Catalonia	

Source: Creative economy in Europe: 5 steps to take off (2021)

Thus, the formation of creativity is an important issue for the economies of today's world, as the development of creativity directly affects the development of the whole country, including through the creative sector as an image tool to attract investment to countries. It is a complex, synchronous, multifaceted and time-consuming process that takes into account the interests of the country's regions, creative industries (enterprises, organizations), as well as workers involved in this field.

Let us consider the field of creative industries in Ukraine. We will note that in the Ministry of Culture of Ukraine the sector of development of the creative industries has been working since 2017, and the Directorate of the creative industries has been working since 2018. According to Ukrainian law, creative industries are defined as economic activities aimed at creating

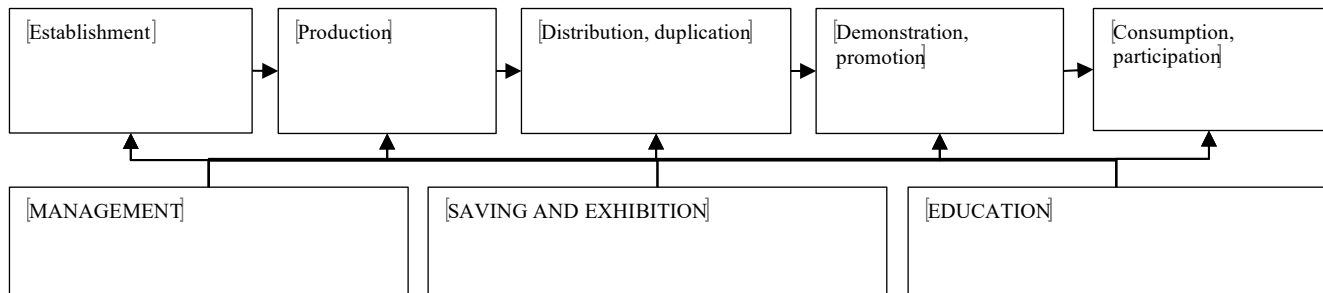
added value and jobs through cultural (artistic) and / or creative expression. Today, the Directorate of creative industries has identified the main economic indicators of economic entities in the field of creative industries. These indicators include: value added at production costs, the number of entities, number of employees, staff costs (Ministry of Culture and Information Policy of Ukraine: official website (2021)).

This list is based on the methodology of the value chain of creative industries (Khaustova V. Y., Reshetnyak O. I., Poliakova O. Y., Shlykova V. O. (2020)), which is based on the fact that “creative industries owe their economic nature to an extensive value chain. This chain contains several links through which the creative product must pass from the idea to the product or service in demand in the market. Therefore, a correct

analysis of the creative industries should take into account not only links of direct creation of the product, but its manufacture,

distribution, consumption as well. The structure of the value chain of creative industries is shown in Fig. 2.

FIG. 2. THE VALUE CHAIN OF CREATIVE INDUSTRIES



Source: authors own elaboration

The list, approved by the order of the Cabinet of Ministers, covers primarily the link of creating a creative product. Economic activities that supply equipment and materials for the creative industries, as well as provide their production, promotion, distribution, consumption and other support, belong to the value added chain of the creative economy and play an important role in ensuring the economic (market) capacity of cultural products, but in themselves indirectly relate to the creation of goods and services, that is why are not listed (About the statement of kinds of economic activity which belong to creative industries: the Order of Cabinet of Ministers of Ukraine (2019)).

The National Classifier DK 009: 2010 (Classification of Economic Activities, NACE-2010) establishes the basis for the preparation and dissemination of statistical information by type of economic activity. The basic principle of the NACE is to combine enterprises that produce similar goods or services or use similar processes to create goods or services (namely raw materials, production process, methods or technologies) in groups.

For economic calculations today use the list of ISIC Rev.4 codes, which belong to the field of culture according to the CDIS method, and on its basis a list of relevant Ukrainian classes of economic activities was developed according to NACE-2010.

Thus, these indicators make it possible to: identify promising sectors of the creative industries for further stimulation, as well as bottlenecks that need additional attention and protection; observe the dynamics of the effectiveness of state support for creative industries; monitor consumer trends in various spheres of human activity in order to form demand for it.

However, the creative industries sector in Ukraine has a number of limitations:

Firstly, there is no agreed formal definition and recognition of the sector either at the level of public policy or in the relevant legislation, so the sector's initiatives remain fragmented and separate.

Secondly, public-private dialogue between government and business is not established. The roles and responsibilities of relevant government agencies and institutions are not clear

enough to effectively manage the sustainable development of the sector.

Thirdly, the creative industries are characterized by limited cooperation within the sector and between subsectors, which leads to low competitiveness of manufactured goods and services in domestic and international markets. In addition, the regime of stimulating the attraction of domestic and foreign investors, as well as supporting companies wishing to enter the world market, is inadequate. Measures to promote creative goods and services are not united by a common vision and strategy for the development of Ukrainian supply abroad.

Studies have shown that the creative industries have a direct impact on the economies of the world, including Ukraine. Scientists define this effect at different levels (Hristina Mikic (2012)):

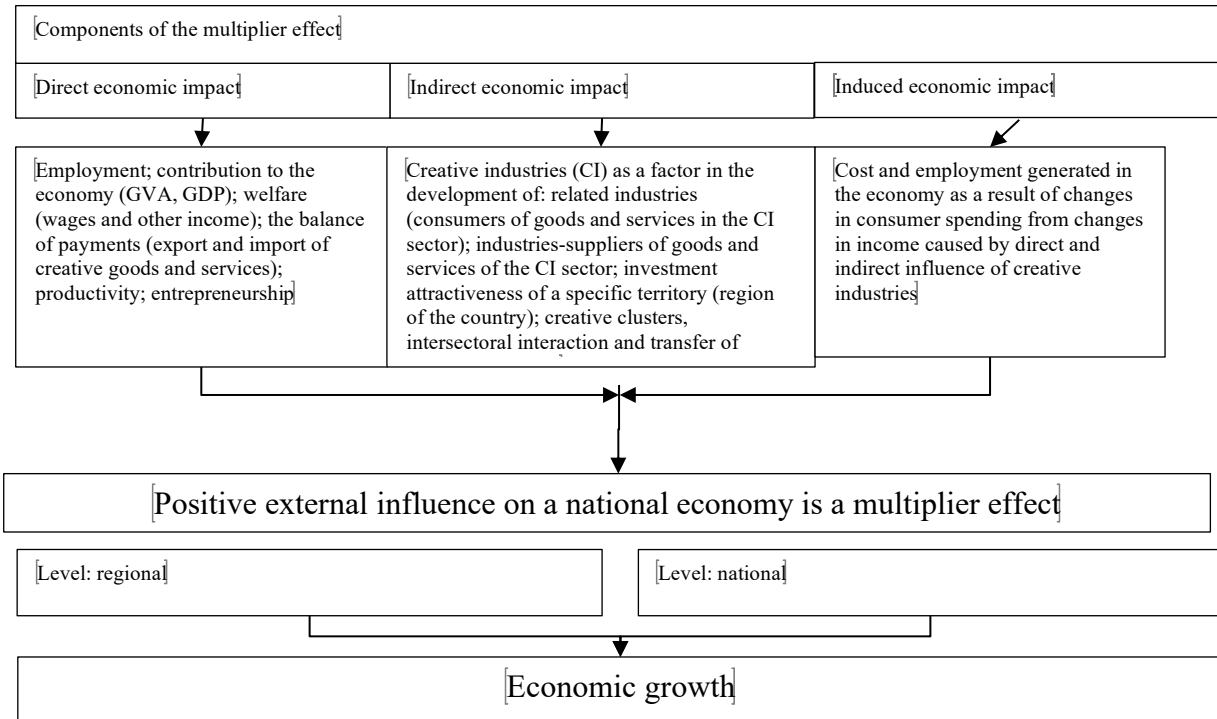
- the direct impact of creative industries on the economy – is the quantitative contribution of these industries in total production, value added, income and employment;
- indirect impact of creative industries on the economy is a multiplier effect on the general economy and other sectors (production, income, employment), which are interdisciplinary links with the creative industries through supply and consumption chains;
- induced – is the spread of concepts, ideas, skills, knowledge, which contributes to the development of innovation, technological progress, improving the quality of life of the population (impact on society, economy, intersectoral relations).

The conducted theoretical analysis made it possible to determine the overall impact of creative industries on the country's economy (Fig. 3).

The diagram shows that the direct impact is determined by the value and employment created by the creative industries, and the indirect impact is determined by the value and employment created by other sectors supplying their products to the creative industries, which in turn is induced by direct and indirect change creative industries on the country's economy. These effects not only significantly affect the size of the region's GDP, and stimulate the economic development of neighboring regions, and in general on the economic growth of

the national economy.

FIG. 3. THE IMPACT OF CREATIVE INDUSTRIES ON THE COUNTRY'S ECONOMY



Source: authors own elaboration

## V. CONCLUSION

To sum it up, creative industries are the most important factor of economic growth and their impact on the development of the national economy is constantly growing, respectively, the forms and methods of measuring such impact are constantly changing and contribute to development of:

2. economic and social innovations in the economy (support for other sectors (industrial innovations) through the provision of creative ideas for new products (innovative content), creative goods and services used in production processes (software), marketing support for innovative products (innovative design) .
3. flexible, mobile and multidisciplinary networks, project organization of work processes, development of human capital and creative abilities;
4. introduction of new ideas and technologies in other sectors, increase of their productivity and competitiveness.

External effects include: increasing the value of the company's brand, improving and promoting the country's international image, promoting the development of territories and communities, and so on.

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