Towards Effective Policies for Innovation Financing in Asia: A Comparative Study of Singapore, Taiwan, Malaysia and Thailand

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4.1 Overview and Malaysia's National Innovation System

4.1.1 Introduction

Strengthening innovation performance has assumed increasing importance in the agendas facing both developed and developing countries. Many countries have introduced a number of measures - both fiscal and non-fiscal - to promote greater R&D and innovative activities; attract foreign knowledge-intensive companies; promote technology diffusion and acquisition of technologies. Factors peculiar to each country will determine the choice of measures, that is, whether tax incentives, direct grants, loans, patent rights or other instruments that will be adopted to stimulate research and innovative investments. Recent years have witnessed a growing shift in the mix of policies among the rich countries to fuel innovation including growing attention to demand-side policies, increasing use of indirect support for innovation and focus on policy evaluation.

Several studies have revealed that these support measures such as R&D tax incentives can be an effective instrument for inducing a certain degree of private investments in research. However, the effectiveness of these support measures depends not only on how well they are designed in alignment with policy objectives but also on the administrative capacity and capabilities of the