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ABSTRACT

of the submitted dissertation for the degree of Doctor of
Philosophy

**FINANCING CHARACTERISTICS OF SMALL AND
MEDIUM-SIZED ENTREPRENEURSHIP IN THE
AGRICULTURAL FIELD
(On the example of the Ganja-Gazakh economic region)**

Speciality: 5312.01 – Field Economy

Science branch: – Economic Sciences

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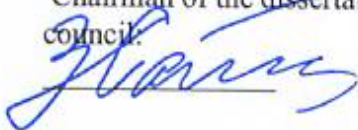
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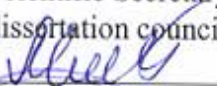
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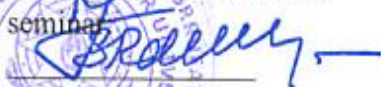
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GENERAL CHARACTERISTICS OF THE RESEARCH

The relevance of the subject. The basis of the country's economic policy is the formation of a prosperous way of life under the influence of the laws of the market economy, through the development of the entrepreneurial activity, efficient use of the existing economic potential (from land, labour and capital), meeting the demand of the consumer market, ensuring food security of the population, to improve the level of employment, eliminate unemployment and formalize a prosperous lifestyle in the prism of the poverty reduction triangle.

According to these goals, the development of the non-oil sector of the national economy is preferred, the socio-economic development of the regions is kept in the focus, the importance is attached to the effective organization of foreign economic relations, shortcomings are studied and eliminated through purposeful measures and implementation of state programs and the formation of a favourable environment is achieved.

The “State program on socio-economic development of regions of the Republic of Azerbaijan in 2014-2018”, adopted as a continuation of the policy started in 2004 in connection with the development of Regions, was implemented and the relevant measures are planned to be continued for the next 2019-2023, concrete tasks were defined.

“Strategic road map on production and processing of agricultural products in the Republic of Azerbaijan” approved by the decree of the president of the Republic of Azerbaijan dated December 6, 2016 has been prepared and determined.

Entrepreneurship subjects plays an exceptional role in the fulfillment of the intended tasks. Another characteristic of the development of economic relations in the modern period is the background of large-scale production facilities, to bring small and medium-sized entrepreneurs to the fore, to provide comprehensive assistance for their development.

The study state of the problem. Economists and scientists of the world have paid enough attention to the study of small and medium entrepreneurship and have studied the problem from different aspects. Among the founders of classical economic theory were A.Smith, J.B.Say, R.Catiliona and others, in their works, studied the laws of entrepreneurship development. Beginning in the mid-twentieth century, well-known economists L.F.Mizes, F.Hayek, J.Schumpeter, P. F. Drucker, and others. developed the Keynesian theory of the need for state regulation of the small sector of the economy, and stressed the importance of developing small and medium enterprises to achieve economic growth. In their works on institutional economics, R.Coase and O.Williamson studied small and medium enterprises as an important element of the socio-economic system. Russian scientists have also analyzed the development of small and medium-sized enterprises. N.M.Korshunova, N.I.Deriashvili, L.A.Kolesnikova, V.A.Strokov, R.R.Kazikhanov, A.R.Tayupov, V.Q.Basreva, Y.A.Bursev, P.F.Drucker, A.L.Kuzevanov etc. wrote works on the development of small and medium-sized enterprises in their countries.

Azerbaijani economists paid special attention to the development of small and medium-sized enterprises. In general, the solutions and theoretical and practical aspects of various issues of purposeful organization and development of entrepreneurship, including the small and medium-sized enterprises sector, have been indirectly interpreted in the works of Z.A.Samedzade, A.X.Nuriev, E.R.Ibrahimov, I.H.Ibrahimov, H.A.Khalilov, E.A.Guliyev, I.M.Abbasov, B.Kh.Atashov, A.Q.Alirzayev, İ.H.Aliyev, A.H.Valiyev, R.A.Balayev, A.M.Maharramov, F.F.Fikratzade, V.H.Abbasov and others, at different times and put forward valuable proposals. However, in our country, the development issues of small and medium-sized enterprises have been studied in a complex limited framework, and in recent years young researchers have shown a tendency to it. On December 28, 2017, President Ilham Aliyev signed a Decree on “Further improvement of management in the system of small and medium enterprises”. Depending on the urgency

of the issue, the International Finance Corporation, with the assistance of the Swiss State Secretariat for Economic Affairs (SECO), conducted a special thematic survey to study the activities of small and medium-sized enterprises in Azerbaijan.

In order to solve the problem purposefully, it is very important to study the peculiarities of different regions of the country and to take into account the natural and climatic conditions, to complement them in terms of strengthening their financial capabilities. Because all the success of extensive recycling depends on the financial capacity. Therefore, the study of the subject should be considered as actual.

Object and subject of the study. The object of the research consists of agricultural producers of Ganja-Gazakh economic region of the country.

The subject of the study consisted of a study of the regularities of improving the financial relations of agricultural producers in small and medium enterprises, forming financial resources and ensuring efficient use of resources.

The purpose and objectives of the study. The purpose of the study consists of investigating the characteristics of small and medium scale entrepreneurship financing system, determine the role of small and medium scale entrepreneurship in the country's economy, investigate the laws of effective geographical activity and identify effective ways of strengthening the financial capacity of small and medium scale entrepreneurship in the Ganja-Gazakh economic region.

According to the purpose, the following tasks were defined and fulfilled:

- to evaluate the role of small and medium-sized enterprises in the country from a scientific point of view, to analyze the current state of its development, to determine the conceptual basis of their development and to investigate the regularities;

- to determine the direction of ensuring the efficiency of small and medium-sized entrepreneurship activity in agriculture taking into account geographical principles and formation characteristics of

entrepreneurship in the example of the farms of Ganja-Gazakh economic region;

- to assess the current state of financial opportunities in the development of small and medium scale entrepreneurship in agriculture;

- to examine access to market and financial resources of small and medium enterprises;

- to determine the directions of expansion and strengthening of financial opportunities of small and medium-sized enterprises in agriculture, to prepare concrete proposals.

The object of research is agricultural producers of the Ganja-Gazakh economic region of the country.

The subject of the research is the study of the laws on improving the financial relations of agricultural producers in small and medium enterprises, formulating financial resources and ensuring efficient use of them.

Theoretical and methodological bases of the research are based on the scientific works of national and foreign economists on the development of entrepreneurship, including agriculture and the formation of financial resources in agriculture, their efficient use, use of natural and economic resources of the regions, scientific works on the problems of increasing their efficiency, decrees and orders of the President of the Republic of Azerbaijan, Legislative acts adopted by the National Assembly, decisions approved by the Cabinet of Ministers and other legal and normative documents were organized.

Observation, comparison, grouping, summarization, analysis (synthesis) methods were used in the study of the problem.

Information base of the research. During the research process, data from the Ministry of Agriculture of the Republic of Azerbaijan, State Statistical Committee, Entrepreneurship Development Fund, Agro Economics Research Center, results of research works of individual scientists and internet data were used. The materials of the measures implemented by the relevant Strategic Road Maps of the socio-economic development of the regions were used as the main source of information. The results of the survey

conducted on the business environment in Azerbaijan with the help of the International Finance Corporation and SECO: “Research on Small and Medium-sized Enterprises in Azerbaijan” were used in the research. Taking into account the lack of official data, thematic surveys were conducted to study the results of activities of 24 agricultural producers of the Ganja-Gazakh economic region, the obtained initial data were systematized, grouped, summarized and used in the analysis.

The main provisions of defence.

A number of provisions related to the scientific innovations and results of the research work are put into protection:

- it was necessary to investigate the theoretical and methodological basis of financing small and medium-sized enterprises and generalize the approaches and determine the formation characteristics of small and medium-sized enterprises;

- there is a need to assess the current state of formation and development of small and medium-sized enterprises in the agrarian sector;

- in the agrarian sector, it is required to prepare measures to ensure the efficient use of production resources of small and medium-sized enterprises and to create financial security;

- scientifically justified measures are needed to expand entrepreneurs ' access to the market;

- in order to improve the financial situation of small and medium-sized enterprises, proposals reflecting effective activities have been developed;

- measures are needed to develop integration and cooperation in the agrarian sector and to regulate the improvement of financial security;

- there is a need for proposals reflecting the relevant measures to strengthen the financial security of agricultural enterprises of Ganja-Gazakh economic region and determine the directions of efficient use of resources.

The scientific novelty of the research is to prepare practical proposals on theoretical-methodological issues and improvement of

financing of small and medium-sized enterprises in the agrarian sector. Scientific novelty of the dissertation is characterized by:

- The structural features of small and medium enterprises and the factors determining them in the studied economic region were identified;

- proposals have been prepared to expand the provision of resources and market access to small and medium enterprises, to strengthen the provision of financial resources;

- the development laws of small and medium-sized enterprises in agriculture were studied and certain proposals were put forward;

- for the first time a SWOT (general) analysis was developed for the agriculture of the studied region;

- In order to improve the financial situation of agrarian entrepreneurship, ways to develop cooperation and integration relations of small and medium enterprises subjects were identified and suggestions were made;

- ways of efficient use of natural and economic resources of the studied region were studied and new approaches were applied.

The practical significance of the research can be characterized by the theoretical and methodological provisions, forward-looking recommendations and proposals, the effective use of agricultural producers ' resources and the improvement of economic efficiency of production, the intensive development of Agriculture in general, the correct definition of the directions of activity of farms, the economic policy on the development of small and medium-sized enterprises, the ability to achieve the objectives of the economic policy on the development of small and medium-sized enterprises, the adopted Strategic Road Map and serve the purposeful implementation of the relevant State Programs.

Approbation and application of research results. The conclusions. of the dissertation work, forward recommendations and proposals were presented at conferences at 6 International and national level conferences abroad. A total of 14 scientific works related to the dissertation were published.

Recommendations and proposals prepared as a result of the research were provided by the Small and Medium Business Development Agency of the Republic of Azerbaijan (reference No. SME-21 / 02-7 / 214 dated 28.12.2018), Shamkir State Agricultural Development Center of the Ministry of Agriculture of the Republic of Azerbaijan (reference No. 01/476 dated 06.12.2018), Agricultural Science and Innovation Center of the Ministry of Agriculture of the Republic of Azerbaijan, Ganja Regional Agricultural Science and Innovation Center (reference No. 115 dated 14.12.2018) for use and it was stated that they would be used during the implementation of relevant measures.

Name of the organization where the dissertation work is performed. The dissertation work was carried out at the Agro-cultural Economics Research Center of the Ministry of Agriculture of the Republic of Azerbaijan.

The structure and volume of the dissertation. The dissertation consists of an introduction, three chapters, a conclusion and a list of 134 references. The volume of its text is 147 pages. Besides this, 10 pages of reference list and 4 pages of 2 additional tables are given. Also in the work 22 Tables, 1 graph and 3 schemas are given. It also provides a general (SWOT) analysis of the region under study.

The introduction consists of 9 pages (16961 symbols) , the first chapter - 46 pages (74987 symbols), the second chapter - 43 pages (66768 symbols), the third chapter - 41 pages (67062 symbols) , the conclusion - 5 pages (9744 symbols), the references- 10 pages (15755 symbols), appendices - 4 pages (4375 symbols). The volume of the dissertation is - 235492 symbols.

MAIN CONTENT OF THE WORK

In the introduction of the dissertation, the relevance of the subject, the learning situation of the problem, goals and objectives of the study, object, subject, scientific innovation, practical importance, theoretical and methodological basis, sources of the data used, the approbation of the work were interpreted.

In Chapter I of the study **“Theoretical and methodological bases of financing of small and medium enterprises”** is investigated. It examines the role and importance of small and medium enterprises in a market economy, and summarizes the approaches of foreign and national economists.

From a classical political economic point of view, the entrepreneur is the owner of the enterprise, has a certain capital and land area, is at the center of the process of production and distribution of goods and services. The theoretical foundations of entrepreneurship activity belonged to F.Kene, A.Smith, J.Say, their successors J.Schumpeter, F.Hayek, A.Chayanova and others. According to this source, the entrepreneur is a person who tries to produce goods that can meet the needs of others in order to make a profit and for this purpose also manages to bring together the factors of production. Here it is also stated that “the main functions of the entrepreneur: to take risks; to bring together the factors of production in order to produce goods and services and to meet the needs of people. Entrepreneurial activity is the ability to use all kinds of resources wisely and efficiently during the production of products, to make rational decisions, to increase production and to take intelligent risks.

From world experience it is known that the entrepreneurship branches established and operating on different organizational and legal bases are primarily divided into large, medium and small entrepreneurs by the average number of employees. In some scientific literature it is reported that a small group of people or an enterprise managed by an entrepreneur belongs to the category of small entrepreneurs. Other criteria for the division of entrepreneurship by categories include: size of the capital of charter, volume of assets, annual volume of turnover.

Small and medium-sized enterprises are a special form of entrepreneurship in which the number of employees, the volume of capital and the scale of production are active in exchange for very limited conditions. Small entrepreneurs operate in local markets, react quickly to any changes and conditions that occur in these

markets, can actively interact with consumers, conduct deep specialization in production, invest little capital in production. Although the rapid reaction of small and medium enterprises to the conditions of activity makes it more flexible and adaptable on the one hand, on the other hand, it depends on the market situation, foreign socio-economic and political conditions. Lack of capital narrows the scope of production, limits access to scientific and technological developments, additional financial, production and labor resources.

After theoretical approaches, it was considered expedient to determine the characteristic features of the financial system in the formation and development of small and medium-sized enterprises. It is noted that the development of the financial system as a whole is one of the key factors in the successful operation and stability of all sectors of the economy, small and medium enterprises. In general, the financial system has unity among its elements of numerous interactions, it consists of the totality of relations and relations belonging to a single whole. Reflects a set of sections and elements grouped by interrelationship and interdependence, as well as financial relationships that affect each other. Through such relations, money trust funds and monetary revenues are formed, distributed and used, financing of the material interests of all participants in public production is ensured.

All types and forms of financial relations operate in close interaction. Each of them has its own unique monetary funds, and its effective use becomes one of the main goals. Relevant financial institutions carry out the management of these relations and funds. The financial system expresses the financial relations of different sectors and divisions, in accordance with the various methods offered by it, money funds of the state, entrepreneurs: small, medium, large enterprises legal and natural persons, households are created and used from them. They operate in accordance with the principle of unified democratic centralism.

In economic relations, the capital factor is of exceptional importance in solving the following issues: creation of material and

technical base, that is, the provision of the entrepreneur with basic production funds (long-term economic assets); acquisition of circulating funds (short-term assets) and provision of economic activity; fulfillment of obligations; organization of large-scale reproduction; enables the intellectual development of the entrepreneur, the eradication of poverty and the satisfaction of their needs, etc.

Every entrepreneur should have their own monetary (financial) resources. Its main sources of financial resources: profit from production; profits from the sale and lease of wealth; insurance payments; attracted funds. Financial assets are considered as the main factor for the creation of small and medium-sized enterprises, organization of the production process, fulfillment of their obligations and efficient functioning. Timely and qualitative implementation of each of the mentioned functions creates a need for financial means, the demand for the mass of money is formalized. This, in turn, makes the formation of the financial system necessary and its effective activity acts as one of the important conditions for the success of the entrepreneur.

The development of small and medium-sized enterprises is at the heart of the country's economic policy. On June 4, 1999, the law of the Republic of Azerbaijan "On state assistance to small entrepreneurship" started its activity. Then the State Program for the Development of Small and Medium-sized Enterprises in the Republic of Azerbaijan (2002-2005) was adopted. Purposeful measures were taken in accordance with it. Since 2016, the measures of the Strategic Road Map on the production of consumer goods at the level of small and medium enterprises have been implemented in the Republic of Azerbaijan. On December 28, 2017, President Ilham Aliyev signed a Decree "On further improving the management of small and medium-sized enterprises" and in accordance with it, a special executive body was launched. The attention was drawn to the development of the non-oil sector on the basis of small and medium-sized entrepreneurship activity in the Strategic Road Maps on the

development of financial services, production, and processing of agricultural products in the Republic of Azerbaijan.

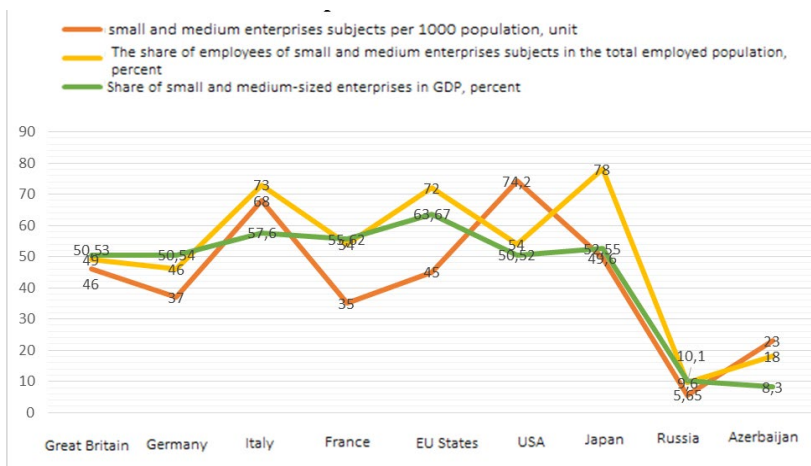
As a result of the research, it was found that in order to achieve the goals for the development of small and medium-sized enterprises in the country, based on the internationally accepted classification, the theoretical explanation of the nature of entrepreneurship can be considered important in order to carry out correct economic and statistical evaluations. Efforts have been made to explain this in detail on the basis of the agricultural subjects of Azerbaijan. According to official statistics, in 2017 there were 792.8 thousand entrepreneurship subjects in the country. 86.5% of them consisted of natural people and 13.5% consisted of legal entities. 196,3 thousand (24,5%) of all entrepreneurs are small and medium-sized enterprises. These indicators were as follows in the Ganja-Gazakh economic region, which is the object of our study: 103,8 thousand entrepreneurs, 93,1%, 6,9% and 22,4 thousand entrepreneurs (21.6%). According to official statistics, 328 or 1.4% of the total number of small and medium-sized entrepreneurs in the Ganja-Gazakh economic region belongs to agriculture, forestry and fisheries.

Table 1. Typological grouping and composition of agricultural producers, based on the data of the 2015 agricultural census

	Azerbaijan			Ganja-Gazakh economic region		
	Number of farms, unit	Their specific weight, percent	On average, the useful land area per farm, ha	Number of farms, unit	Their specific weight, percent	On average, the useful land area per farm, ha
Total for all farm types	1352121	100	1,69	223916	100	1,43
Family, peasants and households, individual entrepreneurs	1350736	99,90	1,49	223717	99,91	1,26
Family, peasants agriculture	916340	67,77	2,04	166305	74,27	1,58
Households	431106	31,88	0,14	57166	25,53	0,17
Individual entrepreneurs	3290	0,24	22,91	246	0,11	33,92
Total of enterprises and organizations	1385	0,10	202,77	199	0,09	189,20
State enterprises	223	0,02	523,34	32	0,01	385,38
Collective (joint) farms	385	0,03	64,76	22	0,01	30,00
Open and closed joint	59	0,00	68,42	6	0,00	83,83

stock companies						
Limited and additional liability companies	428	0,03	201,21	61	0,03	120,82
Production cooperatives	58	0,00	68,00	8	0,00	114,25
Other economies	232	0,02	194,40	70	0,03	226,71

In our opinion, all agricultural producers listed in Table 1 are considered entrepreneurs subjects. Most of them are small and medium-sized enterprises subjects. First of all, each of them is engaged in the production of certain types of products and services, regardless of property relations and the size of agricultural land in use. Second, the basis of their activity is characterized by making free choice, taking obligations, fulfilling these obligations under their own responsibility, obtaining income, profit and benefit.



Graphic 1. The main indicators of small and medium-sized enterprises in some countries.

Source: www.stat.gov.az and author's calculations

Detailed analysis of the data available in the official statistics was carried out in the dissertation, existing shortcomings learned in the development laws were revealed and concrete proposals on their elimination were put forward.

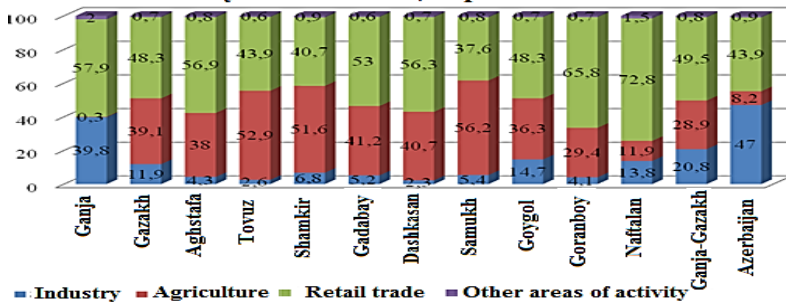
Chapter II of the research focuses on the study of the **“Modern state of the financing of small and medium enterprises in the**

agrarian sector”. Here, the sectoral structure of the development of agrarian entrepreneurship in Ganja-Gazakh economic region was studied. As a result of the research, it was found that 16.8% of useful land resources, which are the main means of production in meeting the demand for agricultural products of the country's population and transport sectors, are in the territory of the Ganja-Gazakh economic regions. Every 100 hectares of agricultural land in this region serves to meet the demand for food and non-food products of about 157 people. In the efficient use of available land resources, it is important to study its quality characteristics. Based on the analysis, it can be said that in the region under study, this figure is higher, as the mowing and grazing areas prevail (58.9%) in the land resources available in the country in general: In Ganja-Gazakh economic region, 74.2% of useful land consists of mowers and pastures. Therefore, the opportunities for the development of animal husbandry in these regions are much broader.

25.1% of the agricultural land areas of the economic region are arable. Its 77.9% consists of irrigated areas. The data provide the basis for determining the characteristics of horticultural development in the region: in farms, compared to the average level in the country, arable land is limited and irrigation horticulture is widespread.

16.6% of the country's agricultural producers are located in the Ganja-Gazakh economic region. Each of them is able to meet the needs of 7 locals, 2.6 people have potential labor reserve, are considered small businesses using 4.4 hectares of usable land and 1.1 hectares of arable land. Up to 84% of these farms consist of family peasant farms, mainly engaged in commodity production. In addition to meeting their needs, there are opportunities to actively participate in meeting the needs of the domestic consumer market, the population of Ganja and Naftalan, to offer quality products from time to time, as well as to offer certain types of products to consumer markets in the surrounding areas and Baku. This region also has the opportunity to expand the country's export potential and effectively organize import-export relations with the neighbour countries.

The economic mechanism of livestock farms in the region under study is very diverse. Productor, feeds livestock and birds, bee families, working animals, camels and rabbits. The number of large-horned cattle per 100 hectares of agricultural land is very low compared to the average in the country.



Graphic 2. Features of development of rural entrepreneurs in Ganja-Gazakh economic region, specific weight according to 2019 data, in percent

Source: www.stat.gov.az and author's calculations

The economic mechanism of livestock farms in the study region is very diverse. They feed productive livestock and birds, bee families, working animals, camels and rabbits. The number of large-horned cattle per 100 hectares of agricultural land is very low compared to the average in the country.

The dissertation also explains the essence of advanced finance: factoring, forfeiting, franchising services, which have a wide place in the experience of foreign countries and in the financing system, information is provided on the attitude of national experts to it, ways to apply it to small and medium-sized entrepreneurs strata in our country are studied, attention is paid to the positive and negative results. In addition, the improvement of leasing services in our country is of exceptional importance in strengthening financial opportunities. The possibilities of the subjects of the research object to use the loans are studied, the level of their use is assessed, the

ways of effective use of the loans are determined and certain proposals are put forward.

Based on observations and analysis, the following conclusions can be drawn:

- due to the fact that the vast majority of agricultural producers in the country and in the region under analysis are small and medium enterprises subjects, the technical supply is very low. There are two main reasons for this: it is not convenient for small and medium entrepreneurs to buy expensive equipment and it is not used efficiently; financial resources are weak and access to them is inaccessible;

- mainly large enterprise subjects tend to buy agricultural machinery and have financial opportunities;

- in agriculture, manual labor dominates in the implementation of production processes. This does not allow to increase the productivity of the planting area and gardens, as well as cattle, labour productivity, it is not possible to increase the efficiency of the use of resources, the consumer market is not offered in accordance with the demand. All of the above ultimately limits their financial capabilities;

- in order to mechanize the production processes in small and medium-sized enterprises, it is important to establish specialized maintenance entities in the form of small and medium-sized enterprises, to establish interaction with agricultural producers on economic methods.

22.3% of the preferential credits paid from the budget were received by the farms of the Ganja-Gazakh economic region. The data suggest that although the specific weight of soft loans paid to the farms of the region under study in previous years was very high, it gradually decreased in the last three years and the share of soft loans paid at the expense of the budget in 2018 fell to 6.1%.

Through the study, it was found that in the practice of foreign countries, venture capital is used. It has been concluded that venture capital, which is widespread in the European space, is a form of credit that receives a share (non-predetermined interest) on the basis

of a partnership, and its application in Azerbaijan's agriculture can be very important. It is possible to include this in the principles of establishing a cooperative system, to ensure this through the entry of relevant banking institutions into production or consumer cooperatives with the status of 'associate members'. Compared to factoring, forfeiting, and franchising financing, the proposed method is more suitable for small and medium-sized businesses, because there is no need to pay extra, the fee for the services provided is paid from the profit to the share account.

Table 2. Ganja - Gazakh economic region's main economic indicators and state of efficiency indicators based on selected farms, in 2018

	For small entrepreneurs				Total of small entrepreneurs	Medium entrepreneurs (Shamkir)	Shamkir total, total of small and medium-sized entrepreneurs	Total of surveyed farms
	Dashkasan	Goygol	Samukh	Shamkir				
Number of surveyed farms, unit	7	4	4	5	20	4	9	24
The average number of employees per farm, person	6,4	6	5,8	10	7,1	31,3	19,4	11,1
I. According to the results of production in 2018 the price of the main indicators characterizing financial resources								
Cost of manufactured products, thousand manats	287,1	189,8	299,8	350,4	1127,1	2655,2	3005,6	3782,3
Average volume of annual turnover of a farm, thousand manats	41,0	47,5	75,0	70,1	56,4	663,8	334,0	157,6
Production costs, thousand manats	86,8	47,5	83,3	99,4	317	625,8	725,2	942,8
Special weight of production costs, %	30,2	25	27,8	28,4	28,1	23,6	24,1	24,9
Value added, thousand manats	200,3	142,3	216,5	251,0	810,1	2029,4	2280,4	2839,5
Specific weight of value added, %	69,8	75	72,2	71,6	71,9	76,4	75,9	75,1
II. State of the indicators characterizing efficiency:								
Average turnover per employee, manat	6380	7908	13035	7008	7937	21242	17175	14166
Value per 1 manat production cost, manat	3,31	4,00	3,60	3,53	3,56	4,24	4,14	4,01
The ratio of added value to	231	299	261	253	256	324	314	301

production costs, %								
Per hectare of agricultural land, manat:								
cost of produced product (turnover)	388	295	1307	1051	579	16492	6073	1427
production costs	117	74	362	298	163	3887	1465	344
Value added	271	221	945	753	417	12605	4068	1083

Source: Thematic survey data and results of the author's own research

Statistical data characterizing the material technical base of rural entrepreneurship subjects, small and medium entrepreneurship strata: although there is sufficient information on the issues such as available land resources, labor resources, technical equipment, etc. their financial resources, factual information on the use of these resources is not studied by official and unofficial bodies. Such situation also makes it difficult and impossible to carry out research work of various purposes.

As we face difficulties, it was considered expedient to obtain relevant information directly from the rural entrepreneurship subjects and a program for conducting thematic observations was developed, on the basis of which efforts were made to study the results of the activities of rural entrepreneurs from the districts. Using the available opportunities, it was possible to collect initial data from 24 farms with great difficulty.

Thus, as a result of the research, it was found that most of the surveyed farms (56,5%) receive most of their annual turnover due to the production of crop products, only 43,5% of which are obtained from livestock. Relevant indicators are characterized by 79.5% and 20.5% for small business enterprises, 66.5% and 33.5% for medium-sized enterprises, that is, in both categories of farms, the annual turnover, income and finally, in the formation of financial resources, the production of first - class agricultural products and livestock products stood in second place. If we look at the geographical principle, we see completely different conclusions. This conclusion was widely interpreted in dissertation.

Most of the farms studied are considered participants in credit relations. In 2016, 22 farms each received an average of 16.6

thousand manats in loans. Of them, 3 farms in Dashkasan district at the rate of 6% and 2 farms at the rate of 21-27%, one farm in Goygol district at the rate of 6% and three farms at the rate of 22-28%, 4 farms in Samukh district and 9 farms in Shamkir district at the rate of 18-25% stated that they had taken; In 2017, each of the 22 farms received an average loan of 23.6 thousand manats, and all 5 farms in the Dashkasan district at the rate of 18-25%, one farm in the Goygol district at 6%, and 3 farms at 25-30%, one farm in Samukh region 6-18% and three farms at the rate of 18-22%, 2 farms in Shamkir district at the rate of 6%, 3 farms at the rate of 6-18% and 4 farms received loans at the rate of 16-25%; in 2018, 23 farms, each of them, on average, received loans of 22.8 thousand manats. 2 farms in Dashkasan received loans with 6% and 4 farms with 18-21%, two farms in Goygol with 6% and 2 farms with 21%, one farm in Samukh with 6% and 3 farms with 21-27%, two farms in Shamkir region with 6%, two farms at 7%, two farms at 6-19% and three farms at 21-23%. As the data show, agricultural producers are making very poor use of the soft loan mechanism. Most farms are forced to take out loans at high interest rates.

Table 3. Features of formation of financial resources of selected farms of Ganja-Gazakh economic region, in 2018

	For small entrepreneurs				Total of small entrepreneurs	Medium-sized entrepreneurs (Shamkir)	Shamkir total, small and medium-sized entrepreneurs total	Total of surveyed farms
	Dashkasan	Goygol	Samukh	Shamkir				
Income from the sale of products, thousand manats	189,4	133	200,3	332,8	855,5	2280,7	2613,5	3136,2
The cost of the products used in the farm, thousand manats	12,0	0	20,6	4,0	36,6	83,2	87,2	123,7
Loans received in 2018, thousand manats:	47	90	28,5	159	324,5	201	360	525,5
Potential capacity of financial resources in 2018, thousand manats	248,4	223,0	249,4	495,8	216,6	2564,9	3060,7	3785,4

For one farm, thousand manats	35,5	55,8	62,3	99,2	60,8	641,2	340,1	157,7
Specific weight of revenue from product sales, %	76,2	59,6	80,3	67,1	70,3	88,9	85,4	82,8
By credit, %	18,9	40,4	11,4	32,1	26,7	7,8	11,8	13,9
Specific weight of use within the farm, %	4,8	0,0	8,2	0,8	3,0	3,2	2,8	3,3
Special weight of use at the expense of the farm, %	13,8	-	24,7	4,0	11,5	13,3	12,0	13,1

Source: Thematic survey data, the results of the author's own research

In Chapter III of the dissertation, an effort is made to identify **“Ways to strengthen the financial security of small and medium enterprises in the agricultural sector”**. Here, first of all, the improvement of the organization of small and medium-sized enterprises activities has been considered as an important factor affecting financial opportunities. The solution of the problem was approached from two aspects: sale and efficient use of manufactured products; ensuring the functioning of a favorable consumer market for the purchase of means of production.

Analysis of official statistics suggests that the farms of the Ganja-Gazakh economic region play a very important role in fulfilling the needs of the population in food and non-food products, raw materials of processing industries and perform important tasks. They offer the following products to the consumer market: wheat, barley, corn, leguminous plants, cotton, sugar-beet, sunflower, potato, vegetable (on different types), melon products, various types and assortments of fruits, grapes, meat, milk, eggs, wool, honey, live cattle and birds of different types and ages. For example, the actual situation of the main types of agricultural products produced per capita is characterized by the data of the table below. These products are delivered to consumers in the following ways:

- farms use to meet the needs of their own: to meet the needs of family members for food and to meet the needs of the raw-materials for the continuation of production sites;
- offer to meet the needs of the local consumer market (intra-district and intra-regional);

- they actively participate in meeting the needs of the non-regional (domestic and international) consumer market and make proposals (Table 4).

In the dissertation work, the current situation of the purchase of means of production, i.e. raw materials, is analyzed, the impact on financial opportunities is assessed, the importance of product sales and improvement of consumer markets is justified and concrete proposals are put forward. Of the existing economic methods (improvement of estimates is considered as the main direction of financial resources).

Table 4. Production of agricultural products per capita, in 2019, kg

	Azerbaijan	Ganja-Gazakh	Gazakh	Akhstafa	Tovuz	Shamkir	Gadabay	Dashkasan	Samukh	Goygol	Goranboy	Per capita consumption, kg
Wheat	85	56	10	03	64	25	3	5	60	99	88	73*
Barley	3	0	9	2	3	6			38	2	19	
Potato	3	72	29	78	80	33	279	75	8	00	1	2
Vegetable	43	45	25	8	78	068	4	1	12	5	6	04,8**
Fruits and berries	7	34	63	52	2	83	66	8	03	2	73	8,3
Meat production	2	4	2	7	6	9	3	8	4	1	3	2,7
Milk production	05	35	24	97	93	72	30	75	30	76	60	72,4
Eggs, pieces	74	8	23	11	13	95	3	17	13	64	05	57,6

Source: <https://www.stat.gov.az/source/demography/> and author calculations

*) In the weight calculated for wheat; **) On vegetable and melon products

Analysis of the data obtained as a result of the study suggests that economic relations of agricultural producers in Ganja-Gazakh economic regions are disorganized and characterized by the spontaneity of solution of organizational and managerial issues. Agricultural producers are only themselves involved in the production of products, their sale, the purchase and consumption of raw materials and materials, carry out all the risks on their own and carry out their tasks related to the solution of all issues under their own responsibility. Such an approach, first of all, contradicts the organization and management of production processes on a scientific basis, integration relations are carried out spontaneously, and

specialization is not given due attention; secondly, they can not increase productivity indicators, resources are not used effectively, they can not create abundance in the consumer market, delays in solving social issues are observed; thirdly, it is not possible to reduce production costs, financial opportunities are limited, it can be expanded and strengthened, the tendency to bankruptcy is formed, competitiveness is weakened, etc. negative contrasts are observed. The study covers in detail the difficulties and negative trends that have arisen in individual entrepreneurship subjects during the study and offers for elimination. A SWOT analysis of the overall agricultural situation in the region has been developed, and strengths, weaknesses, opportunities and threats have been explored.

Thus, the analysis of the farms of the Ganja-Gazakh economic district and the data obtained from them gives grounds to say that in order to develop the agricultural entrepreneurs expediently, it is considered very important to ensure the organization of market relations, to increase the economic literacy of entrepreneurs, the products produced, the forms of their use, production costs, carrying out relevant economic calculations, to teach the correct calculation of efficiency indicators. The organization of various services, including vocational education and services to increase economic knowledge, is very important here. At the same time, it is very important to create a cooperative system that combines the spheres of production, supply, processing, transport, service as a single entity, which can ensure efficient use of their labour and production means. In our opinion, the establishment of a cooperation system is a real opportunity for the development of rural entrepreneurs in the region, especially small and medium enterprises. It can be considered as the most favorable form of management in order to strengthen the financial capabilities of entrepreneurs entering into the cooperative system and ensure efficient use of it.

To ensure the implementation of the requirements and tasks set forth by the president of the country, to improve the economic and statistical assessment of entrepreneurship at the required level, the establishment of professional service areas in regions, including

accounting and reporting to achieve the purposeful development of the SME layer, organization (integration) of their interaction on the principles of cooperation, to improve the economic methods used (concepts of price and costs, the practice of introducing a value-added tax, consumer market regulatory issues), to strengthen and improve the organization's services to entrepreneurs at the required level to keep track of the results of their activities are attributed to important significant measures awaiting solution.

The “Conclusion” section of the dissertation contains the following suggestions and recommendations of scientific and practical significance arising from the essence of the research.

1. There are general and individual features of financial relations of each of small, medium and large business enterprises subjects, The main directions of general financial relations include: product sales, provision of services, financial relations formed in connection with the purchase of means of production; financial relations arising from tax policy through the credit market, insurance market; refers to individual (specific) financial characteristics: in large enterprises subjects - financial relations formed by the circulation of securities and shares, for small and medium-sized enterprises – state aid and benefits, financial relations of households, population and family budget,

2. The main features of the grouping of the entrepreneurial sphere by production volume: average annual number of employees, volume (value) of annual turnover on activity, In Azerbaijan, these criteria are for micro-entrepreneurs, respectively, the number of employees is up to 10 people and the annual income is less than 200,000 manats, the number of employees for small entrepreneurs is 11-50 people and the annual income is 200-3,000 thousand manats, entities with an average number of employees of 51-250 people and an annual income of 3,000-30,000 manat for medium entrepreneurs, more than 251 employees for large entrepreneurs and an annual income of more than 30,000 manats were accepted. We believe that different approaches can be used when conducting purposeful

research and analyzing agriculture. Here, it is possible to use the land suitable for agriculture, the number of livestock and domestic birds in farms. For small enterprises, the area of agricultural land can be up to 50 hectares, the number of cattle up to 50 heads, the number of small cattle up to 100 heads, the number of domestic birds up to 1000 can be considered characteristic; for medium entrepreneurs, these criteria are 50-99 ha of land, 50-99 heads of cattle, 100-500 heads of small cattle, and 1000-10000 heads of poultry, respectively; in large entrepreneurs, the area of agricultural land is 100 hectares or more, the number of cattle is 100 and more, the number of small horned animals is more than 500, and the number of poultry is more than 10,000.

3. Although experts agree with the external experience of the financial capabilities of SMEs: factoring, forfeiting, franchising, using promissory note securities and improving leasing relations, we are able to create a cooperative system and bring the services of the above-mentioned methods of financing by organizing the services of consumer cooperatives and we think that the development of SMEs in the country, including the purposeful development of agriculture, is the real and most effective way to achieve all the intended goals, In the conditions of cooperative relations, a favorable opportunity may arise for the purposeful development of leasing services, which are carried out in the country and which are considered necessary for improvement.

4. It is possible to organize the activities of the cooperation system, its services of consumer cooperation well through factoring, forfeiting and franchising services, is considered more efficient, does not require additional costs, does not require additional time, profits are distributed proportionally among all members, and has other advantages.

5. The essence of entrepreneurship in the country is incomplete, there is a need to improve its legislative base. In particular, the determination of peasant entrepreneurship is not properly addressed. As a result, the results of the activity of all entrepreneurs, including small and medium-sized enterprises, are not

properly evaluated, is considered to be one of the main reasons for the preparation of incomplete and low-quality statistics, it is impossible to conduct qualitative analysis, study the laws of development and develop an effective policy,

6. Despite the perfection of the legal framework for state support for the development of all types of entrepreneurship in the country, especially its small and medium-sized enterprises, and the creation of a wide network of activities, access to credit for rural entrepreneurs is unsatisfactory and very limited, Most of them do not have access to the credit market and are very inaccessible, This also indicates the inefficiency of the organization of the credit market and the need for improvement,

7. Selection of farms for carrying out the relevant research work is considered to be possible based on data of agricultural census in a fixed or rotated manner, Therefore, it is proposed to review the agricultural census, as in European countries, every five years,

8. The economic and statistical assessment of agricultural activity of rural entrepreneurs in the country as a whole and in the Ganja-Gazakh economic region is considered unsatisfactory, Its reason consists in the incomplete and qualitative preparation of the necessary statistical data, This does not allow the calculation of key economic indicators and the level of efficiency, the realization of specialization, the identification of financial opportunities and sources of realization,

9. In 2018, the surveyed farms formed 82.8% of financial resources from the sale of their products, 13.9% from the credit market, and 3.3% from the use of their own resources, They did not receive subsidies at the expense of state aid and did not use the assistance of the insurance market, said that the services of the insurance market were unsatisfactory,

10. Farms of Ganja-Gazakh economic region operate in the conditions of spontaneous market relations, As a result, increasing the volume of product production, reducing production costs, strengthening financial opportunities fall under the blow, it is not possible to ensure sustainable development and achieve goals,

11. Economic methods used in agricultural producers in ganca-Gazakh economic regions: accounting of the produced products, their use, production costs, determination of prices for the sale of products do not meet modern requirements, the farms do not carry out accounting and reporting, and difficulties arise in the economic and statistical evaluation of the results of their activities. Economic knowledge of farm heads and specialists is weak. The factors indicated affect the weakening of financial opportunities. The organization and vocational training courses of useful advice for the formation and improvement of economic knowledge of small and medium-sized entrepreneurs in the regions are considered one of the ways to solve the problem.

12. The basis of the classification of very complex economic relations of the modern period is the classification of activities recommended by the UN Statistical Commission, Based on this source and international experience, it is included in the classification of entrepreneurial subjects: forms of ownership – individual, group and public state ownership; volume of production – small, medium and large forms of entrepreneurship; sectors of the economy – non-financial institutions, financial organizations, the general public administration sector, households, non-profit organizations serving households; types of activities-they produce and provide services on 21 fields, 88 sections, 261 groups, 575 classes, 1342 categories, about 3147 types.

13. Small, medium and large enterprises (legal and natural persons) operate in all economic spheres, the small and medium-sized business segment is considered as the “backbone” column of entrepreneurial activity and the driving force of its effective development. The effective solution to social issues is the real economic relations that can ensure the efficient use of economic resources. The results of SWOT analysis of the strengths and weaknesses of entrepreneurship in the economic region aim to take serious measures to improve financial security.

The main content of the dissertation is reflected in the following scientific works:

1. “Ways of ensuring sustainable development of small and medium enterprises (SME) in the conditions of global economic crisis”, article, 0,5 c.p.s., The Academy of Public Administration under the President of the Republic of Azerbaijan, Materials of the Republican Scientific-Practical Conference on “Ensuring the sustainable development of Azerbaijan in the context of the global economic crisis”, March 20, 2016;

2. . “On theoretical issues of organization of small and medium enterprises” thesis, 0,1 c.p.s, Correspondent member of ANAS, d.e.s, Materials of the international scientific-practical conference “STRATEGIC ECONOMIC REFORMS: PREVENTIVE TAX POLICY” dedicated to the 70th anniversary of the birth of Professor Akif Musayev and the 50th anniversary of his scientific and pedagogical activity BAKU, October 12, 2017;

3. “Effectiveness of the use of production resources of small and medium entrepreneurs and their impact on financial opportunities” Collection of scientific works of the Institute for Scientific Research on Economic Reforms of the Ministry of Economy of the Republic of Azerbaijan “Features and problems of implementation of economic reforms in Azerbaijan”, article, 1 c.p.s., special edition, Baku, 2017;

4. “Information support of entrepreneurship in Azerbaijan” theses, 0,1 in the c.p.s. volume, Ministry of Education of the Republic of Azerbaijan, Materials of the International Scientific Conference of Baku State University on “Innovations and Interdisciplinary Integration in Library and Information Activities” dedicated to the 95th anniversary of the National Leader Heydar Aliyev, Baku, May 4, 2018.

5. “Entrepreneurship formation and socially oriented national economic development in the conditions of free market economy is the way shown by the great leader H.Aliyev”, theses, 0,2 c.p.s., Ministry of Education of the Republic of Azerbaijan, Materials of the IX International Scientific Conference “Actual Problems of

Azerbaijan Studies” dedicated to the 95th anniversary of the national leader Heydar Aliyev of Baku Slavic University, May 3-4, 2018;

6. “Opportunities and forms of attitude of farms of Ganja-Gazakh economic region to the consumer market”, article, 1 c.p.s, Ministry of Agriculture of the Republic of Azerbaijan, Scientific works of the State Agricultural University, Ganja, 2018, №4;

7. “General (SWOT) analysis as an important direction in the strategic planning of the economy”, article, 2 c.p.s, Journal “Dirchalish- XXI century” of the Azerbaijan State Institute of State Building and International Relations, №186/2018;

8. “Features of the sectoral approach to the development of small and medium enterprises”, article, 1 c.p.s., In the Economic News of the Zaporozhye State Academy of Engineers of the Ministry of Education and Science of Ukraine, edition 5 (17) 2018;

9. “Characteristic features of financial relations of small and medium-sized enterprises”, article, 1,0 c.p.s, Scientific-theoretical journal “Azerbaijan Agrarian Science” of the Ministry of Agriculture of the Republic of Azerbaijan, №5, 2018;

10. “Characteristic features of financial relations of small and medium-sized enterprises”, article, 1,0 c.p.s, Scientific-theoretical journal “Azerbaijan Agrarian Science” of the Ministry of Agriculture of the Republic of Azerbaijan, №5, 2018;

11. “Characteristic features of development of Agrarian entrepreneurship in Ganja-Gazakh economic region”, article, 1,0 c.p.s., Scientific-theoretical journal “Azerbaijan Agrarian Science” of the Ministry of Agriculture of the Republic of Azerbaijan, №1, 2019;

12. The role of electronic resources in information support of entrepreneurship in the regions” theses, 0,1 in the c.p.s. volume, Ministry of Education of the Republic of Azerbaijan, Materials of the International Scientific Conference of Baku State University on “Innovations and Interdisciplinary Integration in Library and Information Activities” dedicated to the 96th anniversary of the National Leader Heydar Aliyev, Baku, May 7, 2019.

13. “Provision of financial resources to small and medium enterprises in the agricultural sector “ article, 1,0 c.p.s., Scientific-

practical journal “Agricultural Economics” of the Agro Economics Research Center of the Ministry of Agriculture of the Republic of Azerbaijan, № 3(33), 2020;

14. “ Problems of digital economy of small and medium entrepreneurship in the Republic of Azerbaijan”, theses, in the 0,3 c.p.s. volume, Published in the materials of the II International Scientific Conference held on March 27-28, 2020 at the Dnipro National University of Ukraine.

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