

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**MANAGEMENT AND EVALUATION OF THE
ENTERPRISE'S FINANCIAL SUSTAINABILITY IN
MODERN CONTEXT**

Speciality: 5301.01 - Internal fiscal policy and public finance

Field of science: 53 – Economic sciences

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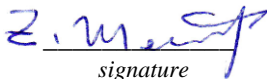
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General characteristics of the study

Relevance of the research topic: The economic strength of a country is determined by the level of development of its sectors, as well as the individual strength of each economic institution, firm, and organization. The stronger the specialized region in which each firm operates the more dynamic and stable it develops in the direction of its activities. The country's economy will be robust if all areas expand rapidly.

Many elements influence the success of every firm. One of them is the management of the company's financial stability. In the market conditions mandated by market regulations, one of the most crucial prerequisites for an enterprise is sustainable development. If a company does not develop sustainably, it will be unable to compete in the market and will eventually go bankrupt. If a company wants to be competitive and strive toward long-term goals, it must assure its long-term viability. To do so, it needs enough initial money, fixed and working capital, professional human resources, strategic plans, the ability to perceive development trends and prospects in the field in which it operates, and the ability to choose the appropriate tactics and approach. The application of the above is the foundation, the heart of the organization, and the management of the enterprise's long-term viability as an intrinsic component of its existence. As crucial as ensuring business sustainability is, maintaining it at a high level is just as important.

The primary purpose of reaching these objectives is to address the macro and microeconomic issues that plague the country's economy. The "Strategic Roadmap for the National Economic Prospects of the Republic of Azerbaijan" was adopted by the President of the Republic of Azerbaijan on December 6, 2016, in order to systematically handle these challenges and assure successful economic results. As a result, 12 strategic roadmaps for the national economy and 11 sectors of the economy were created. This paper contains the medium and long term, as well as the economic development strategy and action plan through 2020, the long-range vision up to 2025, and the target vision after that. These topics must be thoroughly

investigated because they are relevant to the study's goal. Furthermore, it should be noted that the state has always prioritized food production and the distribution of environmentally friendly products to the public. The implementation of state programs for regional development and the recently established Food Safety Agency of the Republic of Azerbaijan are important in this regard. Both the implementation of governmental programs and the Food Safety Agency's activities are targeted at resolving various parts of the food industry's challenges.

The level of study of the problem: For many years, economists have examined and continue to study sustainable development, the enterprise's sustainability, its essence, its place in economics as a category, the preconditions that generate it, its management, and other significant topics. Various aspects of the mentioned problems can be found in the works of well-known scholars of Azerbaijan including Z.A.Samadzada, A.F.Musayev, A.J.Muradov, M.M.Sadıqov, A.A.Alakbarov, R.M.Aliyev, U.Aliyev, Q.Manafov, K.Shahbazov, M.Ahmadov, A.Sh.Shakaraliyev, M.Kh.Hasanli, D.A.Baghiro, M.M.Baghiro, A.Karimov, N.Khudiyev, Sh.Badalov, R.Qushkhani, A.Huseynov, A.Qarayev, S.Abbasov, T.F.Murtuzaliyev and others. They investigated the various aspects of these issues and conducted scientific investigation. The foreign economists including M.V.Romanovski, O.V.Vrublevska, Sayman Johnson, James Kwak, M.S.Atlas, E.F.Jukov, E.D.Dolan and others conducted valuable researches about the problems. These authors have examined many elements of the challenges of enterprise sustainability management, according to our research, and their findings have made significant contributions to economics. The analysis reveals that the management of the enterprise's long-term development should not be studied as a comprehensive and systematic research project in any of these studies. Given this reason, in today's environment, the company needs to study in depth the problems of financial sustainability management.

Goals and objectives of the research: The study's goals are to investigate the theoretical and methodological challenges surrounding enterprise sustainability management, to ensure the enterprise's existing financial sustainability, to conduct an assessment based on the findings of this research, and to develop recommendations in this area.

The following objectives were selected and implemented in accordance with the study's goal.

- Study the essence of the enterprise's financial stability;
- Study the theoretical and methodological foundations of financial sustainability;
- Investigate the international experience in enterprise financial sustainability management;
- Analyze macroeconomic parameters for ensuring the enterprise's financial stability;
- Explain the current state of enterprise financial sustainability management;
- Evaluate the financial stability of the enterprise;
- Identify areas for enhancing the enterprise's financial sustainability;
- Determine modern trends in the examination of the enterprise's financial stability.

The object of research: Selected food businesses in Azerbaijan are the object of the study.

The study's subject: The research focuses on management strategies and regulations, as well as applicable norms and economic mechanisms that occur in the activities of food production firms and play a key role in guaranteeing long-term sustainability.

The research's theoretical and methodological foundation is economists' research on the enterprise's financial sustainability, decrees and orders of the Republic of Azerbaijan, Cabinet of Ministers decisions, decisions and laws of the National Parliament of the Republic of Azerbaijan, as well as other legal-normative acts. In the research, observation, economic-static analysis, comparative analysis, dynamics, analysis, synthesis, and other methodologies have been applied.

Sources of information for the research: The research relied on the report and summary materials of the State Statistical Committee of the Republic of Azerbaijan as well as other sources.

The main provisions of the defense: The main provisions defended in the research are as follows:

- Defining the essence of the enterprise's financial sustainability and its

position in the economy, as well as substantiating its significance

- Determination of the possibility of applying the major indicators of financial sustainability of the enterprise in the republic's food enterprises, through identification advanced trends in global experience.
- Examining and evaluating the current situation of financial sustainability in food-producing businesses
- Developing proposals for increasing the financial sustainability of food-producing businesses

Scientific novelty of the research: The scientific novelty of the research is as follows.

- The essence of the enterprise's financial stability has been researched, and its significance in the enterprise's economy has been defined.
- Theoretical and methodological basis of financial sustainability has been studied, and recommendations have been elaborated.
- Macroeconomic elements of ensuring the financial stability of the enterprise have been researched, and ideas have been proposed to strengthen it.
- International experience of financial sustainability management of the enterprise has been studied, and application potential in Azerbaijan has been determined.
- The current state of the enterprise's financial sustainability management has been analyzed, and proposals have been prepared based on the findings.
- The financial stability of the enterprise has been assessed, and proposals have been prepared based on the findings.
- The directions for improving the enterprise's financial sustainability have been identified, and proposals have been elaborated based on the findings.
- Modern trends in maintaining sustainability have been discovered based on measures that assure the financial sustainability of the firm.

The study's practical significance is that it has identified the need of managing an enterprise's financial sustainability and its function in the economy. The international experience of enterprise financial sustainability management has been researched, and the possibility of using its positive aspects in Azerbaijan has been discovered. The current situation of the company's financial

sustainability management has been examined, and helpful recommendations are proposed. The results, recommendations and suggestions formed as a result of the research can be used in the management of enterprises. Research materials can also be used in the teaching process of the courses including “Finance”, “Corporate Finance” and others.

Practical use and application of the research results: Between 2012 and 2022, the dissertation’s primary provisions have been published, discussed, and authorized as five articles and one thesis in foreign journals, international conferences, and seminars. The research’s primary findings and recommendations can be used in the development of programs and management implementation in the future to address corporate management issues.

Materials published as a result of the research. The volume of published scientific works on the dissertation as a result of the research is 6 printed pages.

Volume and structure of the dissertation: The dissertation consists of an introduction (9287 characters), 3 chapters (Chapter I - 76570 characters, Chapter II – 107918 characters, Chapter III – 52772 characters), conclusion (487 characters), appendix and 105 references. It covers 153 pages (259010 characters), including 18 tables, 13 scheme and 1 illustration.

CONTENTS OF THE DISSERTATION WORK

Introduction

Chapter I the essence of financial stability management of the enterprise and its theoretical and methodological foundations

- 1.1. Financial sustainability, its essence and role in the economy
- 1.2. Theoretical and methodological issues of financial sustainability management of the enterprise
- 1.3. International experience in financial sustainability management

Chapter II Current state of financial stability management of the enterprise and its assessment

- 2.1. Analysis of macroeconomic parameters of ensuring financial sustainability of entrepreneurial enterprises in the Republic of Azerbaijan

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Chapter III Strengthening financial sustainability and identifying key directions for its management

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The results

List of the used literature

MAIN PROVISIONS PROVIDED FOR DEFENSE

1. Defining the essence of a company's financial stability and its position in the economy, as well as demonstrating its significance

Financial sustainability is critical to the economy's efficient management. The foundation of economic progress in a market economy is ensuring financial stability. Financial stability provides a safe environment for savings and investments, allowing for the reasonable use of available real resources based on rational reasoning. When financial stability is compromised, the efficient allocation of financial resources is hampered, and the economic interests of those who own these assets are harmed, as is economic activity. As a result, the primary purpose of state-led economic policy is to ensure financial stability and avoid a potential economic crisis. The lack of a financial crisis, on the other hand, does not imply that financial stability has been achieved. Because financial sustainability is such a broad term, it must support a wide range of economic activity. Increasing the value created in the economy through investment, savings, fund distribution, borrowing, lending, income generation, and their provision are examples of these activities. The financial system is deemed sustainable if it ensures long-term efficient allocation of financial resources, avoids financial risks as a result of successful economic policy, and can carry out its primary functions in the face of external unfavorable impacts. Failure to offer any of these three areas indicates

a lack of financial stability, which is not always the case. Financial sustainability does not imply that the economy is steady and unchanged, as the functioning of the financial system is always evolving. Financial stability, on the other hand, aims to secure the security of the financial system's transformation process as well as stability at any stage of economic development. Because the financial system is complex, a single indication cannot be used to establish its long-term viability.

In general, the lack of a precise definition is due to the prevalence of several approaches to financial sustainability. Financial sustainability is approached differently by different economists working in the financial sector or conducting economic research. According to certain theories, if the real economy is difficult to operate and a lack of knowledge prevents the efficient allocation of resources and investment activities, the financial sustainability of the economy has not been secured (90). Economists who feel that the real economy is no longer declining as a result of the negative impact of the interaction between the financial system and the financial market on the basis of systemic risks take the same approach (91). According to another viewpoint, price is the foundation for providing financial stability, and it is also the foundation for saving and investing. According to this viewpoint, the primary purpose of economic policy should be to maintain an appropriate price level in order to maintain financial stability. Despite the fact that numerous theoretical approaches to financial sustainability exist, there are a few fundamental characteristics.

- The first is that financial sustainability is a wide term that encompasses several levels of the financial system.
- The second characteristic has to do with the relationship between financial sustainability and other economic activity.
- The third feature is that ensuring financial stability has an indirect impact on not only the financial system but also other economic systems and activities.
- Another feature is that financial stability is not guaranteed merely when there is no financial crisis. Financial resilience also entails guarding against challenges that could jeopardize it.

- The last key feature is that maintaining financial stability has an impact on the real economy. Negative developments in any financial institution or financial market should not be considered a danger to financial stability if they have little impact on the entire economy's functioning.

All of this is based on two fundamental market economy models that are based on global experience. One approach insures economic progress, while the other ensures social progress. The liberal model assures economic progress for society, whereas the socially oriented market model ensures social advancement. The main distinction between these models is the extent to which the government is involved in their regulation.

Each of these models, which are used in the economy of the world's most powerful countries, has its own characteristics. The liberal model's characteristic is that in nations where it is used, such as the United States, the United Kingdom, France, Italy, and Canada, there is very little interference in the activities of state companies, and there are relatively few state-owned enterprises in the market. Maximum independence is granted to organizations, corporations, assets, and other entities, and the state plays a minor role in resolving social issues. This governing paradigm permits the bulk of the population to enjoy a good level of living.

Financial stability should be treated as an economic category and studied against the backdrop of equilibrium, according to one of the key findings of our research and analysis. When it comes to the enterprise's financial sustainability, we can define it as the ability to achieve a state of equilibrium in the appropriate economic environment, the ability to maintain that equilibrium over time, the enterprise's ability to achieve strategic goals as a result, and its ability to withstand internal and external factors during its operations. The financial stability of the company was investigated, and it was discovered that it is critical to check sustainability on a regular basis in order to improve the competitive climate in the relevant market. According to research, there are several approaches for determining a company's financial viability. One of the most frequent is a system that incorporates the most significant indications for the enterprise's long-

term viability, such as capital, assets, management, income, and liquidity.

The methodology for determining the financial stability of a business based on these indicators is based on the examination of a variety of criteria. These factors, in our opinion, can be divided into two groups. (Table 1)

Table 1

Factors affecting the financial stability of the enterprise

Group I	Group II
<p>Macro-economic factors</p> <p>directions of economic policy pursued in the country; the current political situation in the country; concrete state assistance to enterprises in the field of entrepreneurship support; the level of state regulation and control to improve the situation of enterprises in order to further develop entrepreneurship; The level of the competitive environment created by the state in the relevant market, etc.</p>	<p>Microeconomic factors</p> <p>the level of capital owned by the enterprise; level of asset utilization; level of efficiency indicators of the enterprise (profitability, profitability); liquidity level of the enterprise; the level of competitiveness of the enterprise in the relevant market; the level of development of the enterprise's relations with its counter parties in strategic directions, etc.</p>

Source: The table has been developed by the author as a result of research and analysis.

2. Identification of the major trends in global experience of financial sustainability in the firm, as well as chances for using its key aspects in our republic's food production enterprises

Because businesses are such a vital part of a market economy, guaranteeing their financial viability is one of the most pressing challenges. As a result, sustaining this stability is one of the key goals of the governments' economic policies. The state makes its financial market attractive and trustworthy for both domestic and foreign businesses by assuring financial stability. This, in turn, encourages other businesses to participate, resulting in increased output, new job creation, and economic activity. States, on the other hand, are not always capable of sustaining financial stability, which leads to crises. This crisis can occur unexpectedly as a result of a country's incapacity to preserve financial stability, and it can spread to other countries

around the world. The advent of crises emphasizes the need of maintaining financial stability and necessitates new actions in this area. Various economic crises have happened throughout history, all of which have had a considerable detrimental influence on countries' economies. If the state fails to create the required environment to promote financial stability, the effectiveness of the financial stability plan executed by businesses would be harmed. Simultaneously, if the government creates the required climate but businesses are unable to maintain financial stability, the effectiveness of sustainability will be compromised. As a result, the measures taken at these two levels, as well as the techniques employed, should be complementary. Continuous monitoring of an entity's operations, as well as the computation and management of indicators used to gauge sustainability, are also required to ensure financial sustainability.

According to the analysis, the document comprises not only economic development goals and principles, but also worldwide trends in all fields, a thorough economic diagnosis, SWOT analysis of the existing situation, actions to be done, required investment, and success indicators. The Strategic Roadmap will include all variables that contribute to economic development, as well as all chances for communication and cooperation between local and international private sector leaders, as stated in the document. The private sector will be the catalyst of economic progress, with public investment acting as a catalyst (3).

The development of entrepreneurship and the private sector has already increased as part of the country's economic policy in recent years. Azerbaijan has been at the forefront of global economic development over the past ten years, as evidenced by the Strategic Roadmap. The country's effective oil policy has boosted real incomes, updated infrastructure, developed the non-oil economy, enhanced social welfare, raised real incomes, supported state-owned assets to unprecedented levels, and created strategic foreign exchange reserves that exceeded GDP (3).

The country's economic growth has slowed as a result of the sharp drop in world oil prices since 2014, institutional and structural challenges have fundamentally changed, balance of payments and non-

budget deficits have accelerated, and unfavorable financial and banking sector conditions have emerged. The country's new economic development has slowed, institutional and structural challenges have shifted, balance of payments and non-budget deficits have widened, and unfavorable developments in the financial and banking sectors have necessitated the country's transition to a new economic development concept.

The Strategic Roadmap identifies four key strategic goals for the implementation of the above. They include:

- Ensuring fiscal stability in the country by establishing a floating exchange rate regime for monetary policy;
- Coordination of fiscal and monetary policy to ensure macroeconomic stability;
- Ensuring economic dynamism through increased efficiency of state-owned legal entities' activities and privatization;
- Adapting the labor market to the national economy's prospects through human capital development;
- Meeting all domestic market requirements through continued improvement of the business environment and strong development of entrepreneurship (3).

There are levels from a theoretical point of view in the Western world to ensure financial sustainability in enterprises. These levels include:

Financial and strategic planning: It is critical to implement financial planning in order to ensure financial stability, because without planning, the capacity to effectively anticipate income and expenses is harmed, and the business is unable to make effective use of its financial resources.

Diversification of revenue sources: The basic goal of diversification is to diversify the company's sources of income and so maintain its financial stability in the case of a downturn in any one area.

Healthy management and financing: Enterprises aim to promote transparency in the administration and distribution of funds in accordance with the regulations established by them in order to achieve efficiency in this area.

3. Examining and assessing the existing level of financial

sustainability in food-producing businesses.

Many indications of an organization's activity are used to determine its financial viability. Production, sales, profit, income, taxes, number of employees, provision of fixed assets, level of fixed capital, investments, level of finished products, cost structure, and others are all examples of these indicators. For example let us consider the key economic indicators of food producers, which are the subject of research, in order to analyze the current condition of financial stability of the firm in accordance with the stud's goals and objectives. First, let us analyze the trends in the number of food businesses in Azerbaijan, as well as the number of registered individual entrepreneurs.

As can be seen, it depicts the trends of the number of food production firms and individual entrepreneurs working in Azerbaijan from 2010 to 2020. According to the indicators, there were only 409 food-producing firms in our country in 2010. The remainder 395 was non-state firms, with 14 being state-owned. In 2011, the total number of these businesses fell by 13 units, or 3.18 percent, to 396. The number of state-owned firms climbed by 2 units, or 14.3%, to 16, while non-state enterprises declined by 15 units, or 3.8 percent, to 380 in the same year. Non-state enterprises accounted for 96.6 percent of total businesses in 2010, and 95.9% in 2011.

In 2012, the number of food businesses climbed by 8 percent, or 31 units, over the previous year, reaching 427. When compared to the previous year, the number of state firms climbed by 6.25 percent or 1 unit, while the number of non-state enterprises increased by 7.89 percent or 30 units to 410.

In 2020, the number of food businesses climbed by 8.5 percent, or 38 units, over the previous year, reaching 487. The number of state-owned firms remained steady in comparison to the previous year, increasing by 9 units, while the number of non-state enterprises climbed by 8.6%, or 38 units, to 478 (See Table 2).

Finally, the number of enterprises producing food products increased by 19% or 78 units in 2020 compared to 2010 and reached 487. During these years, the number of state enterprises decreased by -35.6% or 5 units in 2020 compared to 2010, while the number of non-

state enterprises increased by 21% or 83 units and reached 478. Finally, compared to 2010, the number of registered individual entrepreneurs increased by 148% and 3611 to 6042 in 2020. The reason for this dynamic is the further improvement of the business environment in Azerbaijan in recent years and the provision of targeted reforms that will directly affect the development of enterprises and entrepreneurial entities.

Sustainable development is one of the country's top priorities in terms of economic policy. Diversification of the economy is one way to ensure long-term development in the post-oil era.

Azerbaijan is taking a variety of large-scale and diverse measures to ensure long-term development. President Ilham Aliyev formed the National Coordinating Council for Sustainable Development of the Republic of Azerbaijan on October 6, 2016 to handle the concerns in this direction and assure long-term sustainability.

According to the study's goals and objectives, it is critical to examine the financial viability of food-producing businesses as part of diversification, which contributes to our country's long-term development goals and is also one of our country's economic policy priorities. The following are the evaluation indicators to consider. In the period between 2010 and 2020, the dynamics of items produced by food industries in Azerbaijan, physical capacity index on these enterprises, the share of the food sector in the total volume of industrial output in the country, dynamics of the number of employees in food enterprises, the number of employees in the food industry in the total number of people engaged in industry, dynamics of average monthly salary of employees in food production enterprises, dynamics of fixed capital investments in food production enterprises, share of investments in food production in the total volume of investments in the industrial sector, dynamics of stocks of finished products in warehouses of food enterprises, cost structure in food production enterprises, etc.

To assess the item under study's long-term viability for the period 2010-2020, econometric calculations and assessments on a number of important variables are required initially.

Table 2
Dynamics of the number of enterprises and individual entrepreneurs engaged in food production in Azerbaijan between 2010 and 2020

№	Indicators	Unit of measurement	2010		2011		2012		2017		2018		2019		2020	
			Number	change compared to the previous one	Number	Change (+; - in %)	Number	Change (+; - in %)	Number	Change (+; - in %)	Number	Change (+; - in %)	Number	Change (+; - in %)	Number	Change (+; - in %)
1	Number of operating enterprises	Unit														
1.1	Total	Unit	409	-	396	-3,18	427	+7,83	361	-7,7	393	+8,8	449	+14,2	487	+8,5
1.2	State	Unit	14	-	16	+14,3	17	+6,25	7	-56,2	7	-	9	+28,6	9	-
1.3	Non-state	Unit	395	-	380	-3,8	410	+7,89	354	-5,6	386	+9,0	440	+14,0	478	+8,6
2.	Registered entrepreneurs	Person	2431	-	2770	+13,94	3170	+14,44	4508	+5,1	4754	+5,4	5252	+10,5	6042	+15,0

Source: The table has been developed by the author on the basis of the data of the State Statistical Committee of the Republic of Azerbaijan.

To measure the effects on the food business, we used econometric models. The investigation has been carried out in three different ways:

- Determining the food industry’s contribution to the country’s GDP.
- Quantitative analysis of the influence of factors affecting the food industry’s development.
- Processes in the food sector are being researched.

The first two models described below covers the first direction. The results of the Eviews program’s econometric model of the impact of food production on the country’s GDP are presented in Report 1:

$$GDP = 9495 + 18,5 \cdot NUT_GDP$$

As can be seen from the report, the model is quite adequate. First, the determination coefficient R2=0,79 is considerably more essential for the level 1 percent since the t-statistic of the regressor is large enough.

According to the model, a 1 million manat increase in food industry production is accompanied by an 18.5 million manat increase in national GDP. This ostensibly large influence can be explained in two ways: first, by the multiplier effect of food expenditures, and second, by the contribution of other areas not included in this model.

Report 1

Dependent Variable: GDP
 Method: Least Squares
 Date: 09/25/21 Time: 13:37
 Sample: 2010 -2020
 Included observations: 6
 GDP=C(1)+C(2)*NUT_GDP

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	9495.032	11378.04	0.834505	0.4509
C(2)	18.49571	4.755890	3.889012	0.0177
R-squared	0.790843	Mean dependent var		53477.83
Adjusted R-squared	0.738554	S.D. dependent var		5973.713
S.E. of regression	3054.466	Akaike info criterion		19.14780
Sum squared resid	37319053	Schwarz criterion		19.07839
Log likelihood	-55.44340	Hannan-Quinn criter.		18.86993
F-statistic	15.12441	Durbin-Watson stat		2.927836
Prob(F-statistic)	0.017705			

The report reflects the elasticity of food products to GDP of 2 national GDPs.

$$\text{LOG(GDP)} = 4,34 + 0,84 \cdot \text{LOG(NUT_GDP)}$$

This model is even more adequate: $R^2=0,80$, t-statistics of regressor= 4,06. Therefore, in this model, the regressor is important for the 1% level.

Report 2

Dependent Variable: LOG(GDP)

Method: Least Squares

Date: 09/25/21 Time: 14:28

Sample: 2010 -2020

Included observations: 6

LOG(GDP)=C(1)+C(2)*LOG(NUT_GDP)

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	4.340770	1.611952	2.692865	0.0545
C(2)	0.842043	0.207502	4.057999	0.0154
R-squared	0.804567	Mean dependent var		10.88134
Adjusted R-squared	0.755709	S.D. dependent var		0.119428
S.E. of regression	0.059028	Akaike info criterion		-2.560397
Sum squared resid	0.013937	Schwarz criterion		-2.629810
Log likelihood	9.681190	Hannan-Quinn criter.		-2.838265
F-statistic	16.46736	Durbin-Watson stat		2.961862
Prob(F-statistic)	0.015374			

According to the model, a 1% increase in food production raises gross domestic product by 0.84 percent, indicating that this industry has no effect on the country's GDP. This means that, while the food industry contributes to GDP, it is insignificant in comparison to other industries. Against the backdrop of the energy and service industries, this finding is, of course, logical.

The report examines the influence of investments in fixed assets in the food industry on the sector's production, as noted above in the second direction of our research:

$$\text{LOG(NUT_GDP)} = 7,0 + 0,18 \cdot \text{LOG(INVEST)}$$

As can be seen, this model is also highly adequate: $R^2=0,80$, t-statistic of the regressor = 3,63 and the regressor is important for the level 1 %.

It is worth noting that a 1% increase in fixed capital investment raises production by 0.18 percent in the sector. Other models discussed below confirm such a low return on investment. At the end of the section, the reasons for such unexpected results are investigated.

Report 3

Dependent Variable: LOG(PRODUCTIVITY)
 Method: Least Squares
 Date: 09/25/21 Time: 14:48
 Sample (adjusted): 2010- 2020
 Included observations: 5 after adjustments
 LOG(PRODUCTIVITY)=C(1)+C(2)*LOG(INVEST(-1))

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	5.302455	0.135558	39.11564	0.0000
C(2)	-0.089049	0.031846	-2.796232	0.0681
R-squared	0.722708	Mean dependent var		4.927263
Adjusted R-squared	0.630277	S.D. dependent var		0.070961
S.E. of regression	0.043148	Akaike info criterion		-3.159191
Sum squared resid	0.005585	Schwarz criterion		-3.315416
Log likelihood	9.897979	Hannan-Quinn criter.		-3.578483
F-statistic	7.818911	Durbin-Watson stat		2.916264
Prob(F-statistic)	0.068065			

The last model takes into account the influence of fixed capital investment on labor productivity in the food business (report 3):

$$\text{LOG(PRODUCTIVITY)} = 5,3 - 0,09 \cdot \text{LOG(INVEST(-1))}$$

This model is adequate: $R^2=0,72$, t-statistics of the regressor = - 2,8. The regressor is also significant for the 1% level in this model. The enterprise's production indicators are one of the most essential indicators that characterize its operation. The position of the firm in the market in which it participates, the type of its activities, the level of financial stability, and other factors are all determined using this

indicator. As a result, **the dynamics of food production** in 2010-2020 must be considered.

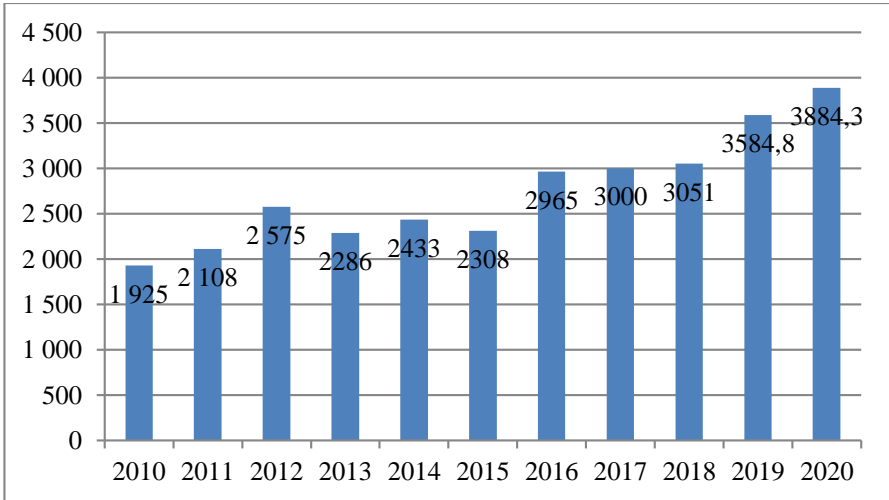


Figure 1. Dynamics of products produced by food enterprises operating in Azerbaijan in 2010-2020 (in million manats)

Source: the diagram was elaborated by the author on the basis of the data of the State Statistical Committee of the Republic of Azerbaijan

As shown in the graph, our country's food producing firms produced commodities worth 1925 million manat in 2010. Production climbed by 9.5 percent, or 183 million manat in the following year. In 2012, the trend continued, with 467 million manat more items generated than the previous year, a 22.15 percent increase in percentage terms. In 2013, there was a modest decline of 59 million manat, or 2.29 percent, as compared to the previous year. Thus, production in 2014 year was 2433 million manats, up 147 million manats or 6.4 percent over the previous year. According to the next studied indicator, production fell by 125 million manats, in 2015, decreasing by 2308 million manats. In 2016, there was a 710 million manats rise, or a 27% increase over the previous year. In 2017, the number of manats increased by 35 million, or 2%, over the previous year. According to the most recent indication examined, output climbed by 299.5 million manats in 2020, a gain of 8.3 percent, to 3884.3 million manats.

Researches show that by evaluating the dynamics of the products produced by enterprises producing food products (in millions of manats) during the years 2010-2020, it can be said that the increase in 2020 compared to 2010 was 1959.2 million manats and 101%.

Azersun Holding is Azerbaijan's largest producer and a major player in the food industry. In 2020, Azersun Holding LLC, the country's largest food manufacturer, made a net profit of 72.87 million manats. The holding's and subsidiaries' yearly income was 952.07 million manats, down 5.14 percent from the previous year. The huge holding cut its sales and service costs by 12.8 percent to 664.87 million manats during the last year. As a result, gross profit increased by 21.2 percent over the previous year. Sales and distribution expenses, on the other hand, totalled 64.13 million manats (2019: 46.75 million), administrative and general expenses totalled 137.98 million manats (124.45 million), and financial expenses totalled 10.77 million manats (9.72 million manat). Azersun made a pre tax profit of 92.23 million manats, from which it made a profit of 20.71 million manats, resulting in a net profit of 72.87 million manats for the holding. The net profit for the previous year was 52.97 million manats. The holding's retained earnings were at 436.58 million manat after this net profit. "Azerbaijan Sugar Production Association" LLC, "Baku Food and Oil Factory" LLC, "Qafqaz Cannery" LLC, "Sun Tea" Tea Factory LLC, "Azersun Agricultural Products" LLC and others are among the companies in the group.

Profit dynamics are one of the most important variables impacting the financial viability of food businesses. Table (3) shows that during the past seven years, all five businesses have been profitable.

These businesses made a profit of 100,466,000 manats during the course of seven years. "Azersun Agricultural Products LLC" was the most profitable of the companies. It made a total profit of 38,247,000 manats over five years, or 38.1 percent of total profit. The fact that an organization's profits are rising in tandem with its growth indicates that its financial stability is improving. Despite the remaining organizations' earnings fluctuation, each of them generated a profit between 2014 and 2018 and maintained financial stability.

Table 3
Dynamics of profit in some enterprises of “Azersun Holding” LLC
between 2014 and 2020 (in thousand manats)

Name of enterprise	2014		2017		2018		2019		2020	
	Profit	+/- %	Profit	+/- %	Profit	+/- %	Profit	(+/-) %	Profit	(+/-) %
1. Azerbaijan Sugar Production Association LLC	10.724.94	-	1.533.60	148	1.888.11	123	2.005.15	106	2.652.20	132
2. Baku Food and Oil Factory LLC	6.585.80	-	2.891.30	104.5	3.774.20	130.5	4.254.50	113	5.008.60	118
3. Jalqaz Cannery LLC	3.097.10	-	3.337.90	95.6	2.295.90	68.7	3.057.80	133	3.845.17	126
4. un-TEA Tea Factory LLC	1.622.16	-	1.044.88	53.2	2.803.61	268	3.585.75	128	4.295.36	120
5. Azerbaijan Agricultural Products LLC	4.498.90	-	9.594.60	138.4	10.930.90	113.9	12.855.70	118	15.684.25	122
Total:	26.528.90	-	18.402.28	150	21.692.72	118	25.75890	119	31.485.58	122

Source: The table has been prepared by the author on the basis of information of “Azersun Holding” LLC

4 Proposal for enhancing the financial sustainability of food-producing businesses

Assuring the financial sustainability of businesses allows them to fulfil their objectives by establishing the foundation of their operations. Financial sustainability is a multi-stage process with a wide range of principles. Multi-stage means establishing the essential conditions for financial stability, maintaining control over it, and eliminating prospective and present dangers. The shifting character of financial sustainability stems from the reality that the circumstances and dangers that must be addressed to ensure it change with the economic climate. It means that any business must be prepared to seize new opportunities and avoid new hazards. The establishment of a company's financial sustainability occurs on two levels. The first is at the macro level, meaning that under the influence of the government's economic policies, and the second is at the micro level, meaning under the impact of the businesses' own business strategies. Although the direction of guaranteeing financial sustainability at the state level does not directly seek to ensure the financial sustainability of businesses, the financial stability established in the economy indirectly contributes to the formation of an effective environment for businesses. The influence of financial sustainability at the state level has a direct impact on determining the directions for maintaining financial sustainability at the micro level. When the macro and micro levels are out of sync, the effectiveness of guaranteeing financial sustainability at the micro level is harmed, and financial stability is jeopardized. As a result, it is critical for research to determine the direction of financial sustainability at both levels.

At the macro level, ensuring financial sustainability helps businesses to access worldwide financial markets, enabling their own and overall economic progress. The following are some examples of macroeconomic sectors where financial sustainability might be improved:

Improvement of banking supervision. Since the banking system has been such an important part of the financial system and the economy as a whole, it is critical to maintain and increase control over it in order to ensure financial stability. In terms of monitoring and

forecasting potential risks, strengthening banking supervision is critical. By preserving the health of the financial resources available in the system, effective banking supervision prohibits banks from engaging in riskier operations in order to make revenue.

Maintenance of price stability. Price stability has a substantial impact on the macroeconomic efficiency of the financial system. This is because when price stability is not maintained, the amount of investments in the economy declines, and the competitiveness of economic units deteriorates. When price stability is not guaranteed, the economy stagnates as income risk rises, and economic entities choose to wait for price stabilization.

Maintenance of stability of exchange rates. Maintaining exchange rate stability is also crucial for financial security. The local currency is more likely to decline in the absence of exchange rate stability, which can lead to economic stagnation by diminishing the purchasing power of the local economy. Demand for business products falls when people's purchasing power is low.

Improvement of the effectiveness of government financing. The budget deficit and external debt are the two most important elements determining financial sustainability of public funding. Maintaining these metrics at an acceptable level is necessary for financial sustainability. When these indicators are not at an acceptable level, the risks to the financial system increase, including the opportunities for firms to maintain financial stability.

Improving competitive opportunities for the healthy private sector. In the absence of a robust competitive environment, businesses are unable to receive the financial resources they require in exchange for human labour. As a result, the company's desire to operate decreases, as does its ability to maintain financial sustainability. There is a need for broader and more effective measures to promote healthy competition, particularly in nations with larger markets or fast emerging financial markets.

At the micro level, there are a few things that can be improved:

Rendering asset-based lending. Asset-based lending is a service that allows you to borrow money depending on your assets.

Credit operations are one of the most important sources of financial sustainability for businesses. One of the most important criteria for a business's proper operation, especially in its early stages, is that it has easy access to capital. As a result, it is necessary to lower the risk level of these loans to businesses and thereby eliminate the variables that could jeopardize their financial stability.

Using securities to increase funding. The growth of the securities market opens up new avenues for businesses to get capital. Using securities to attract capital allows businesses to put those funds to more productive use. Although the money raised from banks is necessary to attract securities, they are not compelled to do so. This enables you to make better use of the finances and engage in a wider range of activities.

Developing a sound financial strategy. It is important to develop a good financial strategy on financial sustainability because the financing is an extremely important factor for business operations. The existence of an effective plan aids in the identification of financial sources that will allow the business to run efficiently, as well as the ability to raise funds from these sources.

Implementation of a successful marketing strategy. The marketing strategy used is also crucial for long-term financial viability. As a source of funding, marketing should be one of the key components of a business strategy. First of all, marketing is important to ensure financial sustainability because marketing serves to increase the sales of the enterprise's products.

Increasing management effectiveness. Employees who carry out management develop the framework for all financial operations of the company. The management system should be set up in such a way as to motivate employees to work effectively and not to increase the risk of profit.

It is impossible to supply only if the greatest income is acquired, according to modern economic ideas. It is crucial to maintain **corporate sustainability** in general in order to ensure financial sustainability in this regard. Financial sustainability is inextricably linked to corporate sustainability; hence ensuring corporate

sustainability is today's top priority for the world's leading organizations and enterprises.

Taking all of these aspects into account, there are a few concepts that are critical to maintaining corporate sustainability and have a direct impact on its formation: sustainable development, corporate social responsibility, stakeholder theory, and corporate accountability.

Results

1. Financial sustainability plays a critical part in guaranteeing the economy's smooth operation. The goals of financial sustainability include effective allocation, modern organization, strong governance, regulation, and efficient performance based on regional utilization of available financial resources. The study found that there are different approaches to the financial sustainability of the enterprise.

2. Research has revealed that the financial sustainability of businesses, like the financial sustainability of the economy as a whole, has crucial elements such as risk management and effective resource allocation. At the micro level, guaranteeing the financial sustainability of businesses entails ensuring the financial sustainability of the economy as a whole. In a market economy, the reality that businesses are the main driving force of the economy necessitates maintaining their financial stability. This encompasses hazards in the banking sector as well as other businesses with economic ties. Businesses also attempt to anticipate, mitigate, and prevent the risks that may occur as a result of their financial analyses. This, in turn, ensures their financial viability.

3. The analysis reveals that in order to better comprehend the relevance of financial sustainability in food operations and to investigate its function in the economy, it is necessary to examine the many metrics of financial sustainability in different scientific methods. The financial sustainability of an organization is dependent on its financial reliability, according to one of the findings of our analysis and research.

4. Research was conducted on international experience in financial sustainability management. Concrete proposals were produced for this aim, based on research into the experiences of the

United States and the Federal Republic of Germany. It has been demonstrated that the financial sustainability of the state at the macro level does not imply complete financial stability in businesses. Even if the government provides funding to businesses during a crisis, the long-term viability of these funds is contingent on the businesses' capacity to manage them effectively.

5. The study found that the Republic of Azerbaijan is taking a variety of large-scale and diverse steps to ensure long-term development. These activities which respond to global challenges has been directed to implementing various goals including attracting investments, improving the business environment, creating a free competitive environment, ensuring successful access to international markets, strengthening and improving human capital, implementing fiscal expansion, adapting monetary and exchange rate policy to macroeconomic policy requirements, developing enterprises to create ample opportunities, strengthening the productivity and efficiency of entrepreneurial enterprises, and reinforce foreign sources of financing.

6. According to research, an enterprise's financial sustainability is determined by a variety of performance metrics. Production, sales, profit, income, taxes, number of employees, provision of fixed assets, level of fixed capital, investments, level of finished product, cost structure, and other indicators are examples of these indicators.

The situation of financial sustainability of food sector firms in the Republic of Azerbaijan between 2010 and 2020 has been assessed and evaluated as a result of our research, models have been created, and the following results have been achieved.

- According to the model, a 1 million manats rise in the food industry is accompanied by 18.5 million manats increase in national GDP.

- A 1% increase in food output raises gross domestic product by 0.84 percent, according to the model, indicating that the country's GDP is not elastic for this industry.

- The third model is also quite good, with an $R^2=0.80$, a regression t -statistics = 3.63, and a regressor that is significant at the 1% level. In this sector, a 1% increase in fixed capital investment boosts output by 0.18 percent.

- According to the model, a one-million-manat increase in investment leads to a 40-person rise in the number of employees a year later. This could imply that some investments are ineffective.

- After one year, a 1% increase in fixed capital investment in the sector increases the number of employees in the sector by 0.19 percent, according to the next model.

- 1% increase in investment affects productivity by around 0.1 percent after one year, according to Report 6. There could be a lot of reasons for this seemingly contradictory result.

- One of the study's findings is that sustaining financial sustainability at the macro level first and foremost demands macroeconomic stability. Financial security is provided when the government provides macroeconomic stability through its economic policy, and businesses have the ability to recruit and employ financial resources effectively.

As can be seen, the indicators required to ensure the financial sustainability of food operations will be supplied in the context of the sustainability system by implementing the selected areas for development that experienced dynamics over the time under consideration.

7. Based on study and analysis, it has been established that ensuring sustainable development is one of the country's top priorities in economic policy. Azerbaijan is taking a variety of large-scale and diverse measures to ensure long-term development. President Ilham Aliyev formed the National Coordinating Council for Sustainable Development of the Republic of Azerbaijan on October 6, 2016 to handle the concerns in this direction and achieve long-term sustainability.

8. One of the study's findings is that achieving financial sustainability at the macro level necessitates the first step of establishing macroeconomic stability. Financial security is provided when the government provides macroeconomic stability through its economic policy, and businesses have the ability to recruit and employ financial resources effectively.

9. According to research, a business is regarded sustainable if it is financially solid and able to generate revenue and borrow money to

support its operations. An organization's control over receivables must be strengthened to ensure financial stability. Develop a technique for issuing commercial loans to clients and collecting these funds that is both efficient and effective.

The following scientific publications have been issued based on the dissertation's primary scientific findings:

1. Managing the sustainability of corporate finance in the digital economy” “İqtisadi və sosial inkişaf” mövzusunda onlayn formada 55-ci beynəlxalq konfrans Baku 2020 Economic and Social Development: Book of Proceedings 4, s. 478-487,
2. International experience in ensuring the stability of small and medium-sized enterprises and their role in the Azerbaijani economy” “Davamlı inkişafın sosial-iqtisadi problemləri” mövzusunda 37-ci Beynəlxalq elmi konfrans– "Socio Economic Problems of Sustainable Development" Book of Proceedings Baku 2019 səh.1228-1238
3. Müəssisənin maliyyə dayanıqlığının inkişafına makrosəviyyədə təsir edən amillər, Bakı-2” Beynəlxalq Konfrans, Bilim evi Bakı - 2018 səh 20-24
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9. Müəssisənin maliyyə dayanıqlığının təhlili.AMEA İqtisadiyyat

İnstitutu “Elmi əsərlər” jurnalı № 5, Bakı 2016 99-106

10. Maliyyə dayanıqlığının mahiyyəti və iqtisadiyyatda rolu. “Doktorantların və gənc tədqiqatçıların XX Respublika elmi konfransı” Bakı 2016 (tezis) səh. 383-385



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