

# **REPUBLIC OF AZERBAIJAN**

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## **ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

## **DIRECTIONS FOR IMPROVING THE MECHANISM OF ECONOMIC REGULATION IN THE REPUBLIC OF AZERBAIJAN**

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## GENERAL CHARACTERISTICS OF THE RESEARCH

**Relevance and degree of development of the topic.** In the context of the transformation of the country's economy, the increasing limitation of production resources at the global level, the preservation of the balance of key macroeconomic indicators, and the support of mutual relations at the microeconomic level require the search for ways to correct it, and the active application of regulatory mechanisms in various spheres of the economy in this direction. As stated in the Decree of the President of the Republic of Azerbaijan “On Approval of Strategic Roadmaps for the National Economy and Key Sectors of the Economy”, in order to adapt to the new challenges created by the processes taking place in the world and to minimize the impact of the current global economic crisis on our country... the formation of a qualitatively new model of economic development is one of the main priority tasks ahead.<sup>1</sup> Naturally, changes should not be spontaneous, but should aim to continuously expand the production potential of the economy through organized regulatory means.

In addition to solving the problem of state participation in the economy, ensuring the realization of economic expediency, systematic and conceptual provisions on the role, functions and mechanisms of influence of the state in this process should be clearly defined. In this regard, the economic policy formulated should include the rational influence of the state on the development of the economy and highlight the “formation of an effective macroeconomic policy framework serving sustainable macroeconomic stability, strengthening the medium-term and long-term “driving forces” of economic development” as the main priorities, which are reflected in “Azerbaijan 2030: National Priorities for Socio-Economic Development”.<sup>2</sup> The above-mentioned conditions the need to form a new regulatory system based on the use of market relations.

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<sup>1</sup> Decree of the President of the Republic of Azerbaijan “On approval of strategic roadmaps for the national economy and key sectors of the economy”. Baku, December 6, 2016.

<sup>2</sup> “Azerbaijan 2030: National Priorities for Socio-Economic Development”. Decree of the President of the Republic of Azerbaijan. Baku, February 2, 2021.

International experience shows that the influence of the state on economic development is inevitable, especially production and social transformations can be built mainly on regulatory mechanisms. The state regulatory system also directly participates in the formation of an efficiently functioning market mechanism model, determines new ways and methods of state participation in economic processes, and also has a balanced impact on the efficient development of economic processes. The application of the regulatory mechanism becomes even more relevant in the context of the transformation of the economy and the transition of socio-economic development to a multi-level and more advanced system.

Thus, the state regulatory model, taking into account the need to use a number of liberal market instruments and the strategic directions of economic development, becomes the main link in the economic development strategy. Therefore, the state's participation in economic processes also aims to stimulate the efficient development of market relations. From the above, it is clear that the participation of the state in fundamental changes occurring in the economic system requires fundamental changes in the complex of all means and methods used in regulating the economy. All this confirms the relevance of the dissertation topic.

The solution of the problem of state regulation of the economy is constantly in the focus of economists. Recently, scientific research, taking into account the current trends in the economy, has been paying special attention to this direction. In this regard, the valuable works of the republican economists Z.A. Samadzade, Nuriyev A.Kh., E.A. Guliyev, B.Kh. Atashov, H.B. Allahverdiyev, E.A. Ibrahimov, A.N. Hasanov, M.A. Ahmadov, O.G. Mammadli and others can be noted.

Among the foreign scientists who studied the issues of economic regulation, A.Smit, P.Samuelson, V.P. Vasilyev, V.V. Melnikov, H.I. Belousova, M.P. Burov, E.P. Gubin, L.G. Khodov and others can be mentioned. However, the solution of the problem of state regulation of the economy, as well as the issues of ensuring regional development in regulation, have not been studied extensively enough in terms of new requirements.

**Object and subject of the study.** The object of the research work is the country's economy and its individual sectors. The subject of the research is economic relations, methods and means, as well as regularities related to the mechanism of regulation of the economy in the Republic of Azerbaijan and issues of its improvement.

**The purpose and tasks of the study.** The purpose of the research work is to identify the directions of improvement of regulation based on the study of existing problems related to the regulation of the economy and their justification. In accordance with the purpose of the research work, the following tasks were identified and implemented:

- study of scientific and theoretical views on the regulation of the economy;
- study of the mechanism of state regulation of the economy, its forms and methods;
- determination of the role of the state in the regulation of the economy;
- assessment of the possibilities of applying world experience in the mechanisms of regulation of the economy to the economy;
- analysis of the level of development of the country's economy;
- analysis of the results of state policy in the regulation of the economy;
- assessment of regional development issues in the mechanisms of regulation of the economy;
- preparation of measures on the directions of improvement implemented by the state in the regulation of the economy;
- identification of prospects for increasing the efficiency and competitiveness of the economy in the context of state regulation.

**Research methods.** The methods of analysis, synthesis, economic-mathematical, economic-statistical, analytical analysis, and comparative analysis were used in the dissertation.

**The main provisions put forward for defense:**

The main provisions presented for the defense are as follows:

- there is a need to generalize theoretical and methodological research on the regulation of the economy;

- there is a need to substantiate the methodological aspects of using the forms and methods of the mechanism of state regulation of the economy;
- the generalization of the main aspects of state policy and its role in regulating the economy should be kept in the spotlight;
- there is a need to assess the priorities of regional development based on the analysis of the level of development of the country's economy and the results of state policy in regulating the economy;
- the substantiation of the possibilities and models of applying world experience in improving economic regulation to the country's economy remains relevant;
- special attention should be paid to determining the strategic directions of regulatory policy in order to increase the efficiency and competitiveness of the economy.

### **Scientific novelty of the study.**

The scientific novelty of the research is characterized by the following:

- based on scientific-theoretical provisions on the regulation of the economy, the forms and methods of state regulation, the features of their use were revealed;
- substantiating the role of the state in the regulation of the economy, the relationship between alternative regulatory mechanisms used in international practice was determined;
- by analyzing the level of development of the country's economy and the results of the state's regulatory policy, the dependence between the main factors of economic development was determined based on assessments;
- new principles of improvement measures implemented by the state in the regulation of the economy were determined;
- using forecasting methods, the most important priorities in this area were specified;
- using world experience, the possibilities of applying new models related to the mechanisms of economic regulation were revealed;
- strategic aspects of the improvement policy to increase the efficiency and competitiveness of the economy were developed.

**Theoretical and practical significance of the research.** The theoretical significance of the study is that the results obtained allow further development of the theoretical and methodological foundations for future research on the problem of the formation and assessment of the regulatory mechanism. The practical significance of the study is that the recommendations and proposals put forward in the course of the study can be used by management bodies and economic entities in their activities in the formulation of a policy for improving the regulation of the economy, as well as in determining measures to increase the efficiency of regulation.

**Approval and application.** The main provisions of the research were reflected in 5 theses (3 of which were published abroad) and 7 articles (3 of which were published abroad) published in prestigious international and republican journals recommended by the Higher Attestation Commission under the President of the Republic of Azerbaijan, as well as in conference proceedings. Among the conference materials reflecting the main content of the dissertation, the following theses can be cited: “İqtisadiyyatın tənzimlənməsinin yapon modeli” (Ganja, 2018), “Azərbaycan Respublikasında iqtisadi inkişafın tərkib hissəsi kimi regional turizmin tənzimlənməsinin əhəmiyyəti” (Baku, 2018), “Направления влияния втекающих из теорий регулирования требований на экономику Азербайджана” (Pereyaslav, 2019), “Важность государственного регулирования экономики и направления совершенствования механизмов регулирования” (Pereyaslav, 2020), “İqtisadiyyatın tənzimlənməsi mexanizmi və tənzimlənmə mexanizminin inkişaf istiqamətləri” (Pereyaslav, 2021), “Development directions of the Karabakh economy based on the concept of regulation of regional socio-economic development” (Australia, 2021).

During the research, the author also published articles entitled “İqtisadiyyatın tənzimlənməsində dövlət siyasəti” (Ganja, 2021), “Analysis and trends of the level of economic development of Azerbaijan” (Tbilisi, 2022), “İqtisadiyyatın dövlət tənzimlənməsində vergilərin rolu və əhəmiyyəti” (Ganja, 2022), “Priorities of state regulatory policy in achieving economic efficiency” (Tallinn, 2023), “Xarici investisiyaların iqtisadi inkişafa təsiri” (Ganja, 2023),

“Regional tənzimləmənin iqtisadi inkişafa təsiri” (Nakhchivan, 2023), “Значение кластеров в регулировании экономического развития: кластеры как путеводитель экономического развития” (Moscow, 2024).

**Name of the organization where the dissertation was carried out.** Ganja State University.

**Total volume of the dissertation with a mark indicating the volume of the structural sections separately.** The dissertation consists of an introduction, three chapters, a conclusion and a list of used literature. Introduction (11347 characters), Chapter I (93514 characters), Chapter II (68061 characters), Chapter III (58611 characters), conclusion (8679 characters) and a list of used literature (17528 characters), the total volume is 259580 characters. The number of characters of the dissertation is 233941 characters, excluding tables, graphs and a list of used literature. The research paper contains 12 tables, 2 schemes, 3 diagrams, and 1 graph, and the list of used literature includes 119 sources.

## **MAIN CONTENT OF THE RESEARCH**

**The introductory part** of the dissertation work justifies the relevance of the topic, explains the level of study, characterizes the object and subject of the research, its goals and objectives, and methods, and reflects the main provisions put forward for defense, scientific innovations, theoretical and practical significance, and approval of the work.

The first chapter of the dissertation is called “Theoretical and methodological foundations of economic regulation”. This chapter reflects scientific and theoretical views on economic regulation, the role of the state in economic regulation, the mechanism of state regulation of the economy, its forms and methods, and the possibilities of applying advanced world experience in the mechanism of economic regulation. The characteristics of the socio-economic processes taking place in recent times show that private property is becoming less



private, and private free enterprises are becoming less free<sup>3</sup>.

Analysis of the socio-economic development of society from the beginning of human history to the present day shows that one of the most important achievements of human activity is the formation of an economy and economic relations, which are formed by market relations. Naturally, the existence of concepts related to regulation during the formation of the economy is impossible. Therefore, the concept of regulation of the economy is associated with the emergence of a more advanced state structure over a certain period of time. In general, the basis of the economy is market relations. Thus, the basis for the formation of market relations is the removal of social economic processes from the subordination of the state.

In the second half of the 20th century, the orientation of the economy in a social direction is characterized as a stage of strengthening the state influence on the economy. Thus, at different times, different approaches to state regulation of the economy have emerged. These approaches have given rise to the formation of certain theories.

Although the theories of regulation are different, the purpose of many theories is to investigate similar problems. Each of these theories begins with the view that there are certain goals that individuals and groups must achieve separately.

From the above, it can be concluded that in order to achieve economic development, arbitrary, similar economic styles and tools can be used, giving preference to the concept of state regulation of the economy in different periods. In this case, it is important to consider which of the methods of regulation is more effective and its selection, the characteristic features of the economic system, the traditional directions of its development, the state and development trends of regional and global markets, and other important factors. In addition, we note that despite the recent observation of a more pronounced trend of strengthening market relations, the self-regulating nature of economic relations and development mechanisms and models, the

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<sup>3</sup> Samuelson, P. Economics / P. Samuelson, V. Nordhaus; trans. from English. M. Laboratory of Basic Knowledge, 2000. 716 p.

need for state intervention in the regulatory process at one or another level arises. It should also be noted that certain limits of intervention in the regulatory process should be observed, and functions should not be exceeded to an extreme level.

The purposeful participation of the state in the process of regulating the economy is conditioned by certain factors. Among the factors, we can highlight the complexity of the system in the economy, the inevitability of shortcomings in the “free” functioning of the market, irrationality in the allocation of resources, the emergence of various types of monopolies, the possibility of threats to macroeconomic stability, external influences, the distribution of income, the problems of ensuring welfare and social rights, changes in markets and economic relations, the protection of domestic markets, the correct direction of investments, transnationalization, the transition to an information economy, and others.

It is also useful to note that the state's intervention in economic issues should neither be excessive nor should it remain outside of economic processes. The share of intervention at different stages of economic development should also be adjusted to the nature of the processes.

The active role of the state in achieving development in the modern economy is an undeniable fact. Thus, the state, in turn, can make its contribution to the economy by performing the formation and distribution of the budget, as well as other functions assigned to it, based on certain mechanisms. The regulation of the economy is carried out through mechanisms that differ from each other, depending on the location of productive forces in countries and the diversity of other factors. Each of these mechanisms is distinguished by its own characteristics.<sup>4</sup>

By intervening in the economy, the state forms certain mechanisms to ensure the effectiveness of its regulatory function. In determining the structure of the mechanisms, the trends of technological development, the structure of property forms, the need for social

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<sup>4</sup> Russell Jesse. State regulation of the economy; Book on Demand - M., 2017. - 118 p.

development, the purpose of the forces forming the political system, the features of the evolution of traditional economics in the country, the level of scientific and innovativeness, and other factors are taken into account.

Although the state's methods of regulating the economy are numerous, we can group them as follows:

1. General methods.
2. Random, atypical, exceptional methods.
3. Special methods.

General methods include methods of thinking, systems, and the theory of reproduction, with which economic change processes are widely analyzed and information on regularities is collected. The second group of methods includes direct and indirect regulation. Special methods are applied at certain stages of the regulatory process during special processes. Depending on the nature, principles of regulation, the state, forms, and planning of regulated economic processes, various combined methods are also applied. The selection and application of methods are based on the conducted macro and micro analyses.

To clarify our idea, in the process of designing a state economic regulation mechanism, the state should determine how this mechanism will affect the characteristics and main indicators of the market, and predict possible results. Determining the effects of the state on market processes and vice versa also requires taking into account the relations and mechanisms of market entities. These issues that we have listed are considered as factors affecting the results during the design of the market regulation mechanism, which is considered one of its important areas, and also during the state regulation of the economy.

The issue of state regulation of the economy, which sets the protection of the interests of the state and members of society as its main goal, has become relevant for the global economic system today. Therefore, we consider it appropriate to study foreign experience in the process of state regulation of the economy, selection of regulatory methods, forms, tools and means, and to determine the possibilities of applying elements considered useful in our country. Therefore, the policies of the USA, Great Britain, Sweden, the PRC, France, and

Eastern European countries in this area have been reviewed, and it has been concluded that elements of certain models can be used in the regulation of the national economy of our state.

Thus, the mechanism of economic regulation, as a structural element of the state regulation system, affects all sectors of the economy. The structure of the regulatory mechanism depends on the institutional characteristics of the state, is distinguished by its flexibility, is inextricably linked with the needs of scientific-technical, socio-economic development and the development of sectors of the economy. At the same time, the activity of the mechanism of state regulation of the economy includes purposeful activities to coordinate economic relations both within the country and between countries in accordance with the goals and objectives.

The second chapter of the dissertation is entitled “Analysis and assessment of the dynamics of economic development and the current state of state regulation in the Republic of Azerbaijan”. In this chapter, the level of development of the country's economy is analyzed based on macroeconomic indicators, the results of the economic regulation policy are examined, and regional development issues in the mechanisms of economic regulation are evaluated.

Ensuring economic development and increasing the pace of this development is considered one of the main priorities of macroeconomic policy for most countries. This priority mainly characterizes important measures and systematic activities for the implementation of more progressive processes related to ensuring an increase in the volume of production. The solution to the problems of sustainable economic development is distinguished by specific features based on production conditions, resource potential, population structure, etc., along with general development principles<sup>5</sup>.

The sustainability of economic development is characterized as an economic situation that maintains the stability of the final parameters of production development and socio-economic indicators. The fact that the economy at the stages of its development, determined by the

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<sup>5</sup> Vorobyova I.P. State regulation of the national economy: a textbook / scientific. ed. Yu.S. Nekhoroshev. - Tomsk: Publishing house of TSU, 2014. - 292 p.

reserve potential and conditions for its realization, the structure of the social system, the essence of the political system, other factors and specific features, the revival of many directions in the field of production, the formation of the level of demand determined by the increase in the welfare of society and the standard of living, is proven by numerous studies.

In general, economic development is a multifaceted, complex and complex process based on determining its essence, goals and objectives, content, qualitative and quantitative indicators, models, forms and types. The elements that determine the main indicators of economic development and the principles of development of the economy as a whole are directly related to economic components and reflect the nature of positive or negative changes in the country's economic development, its general trends. One of the most important indicators that determines the level of economic development is Gross Domestic Product (GDP). In this regard, the analysis shows that compared to 2019, the value of GDP in the country increased by 50.3 percent in 2023, from 81.899 billion manat to 123.128 billion manat. Also, GDP per capita, which is considered one of the indicators of economic development, increased by 38.7 percent and amounted to 11,726 manat. In the corresponding period, that is, in 2019-2023, the income of the population increased by 37.6 percent to 78.1 billion manat, and the average monthly nominal wage increased by 47.0 percent to 933.9 manat. Compared to 2019, state budget revenues in 2023 increased by 45.4 percent to 35.2 billion manat, while state budget expenditures increased by 49.3 percent to 36.4 billion manat. In 2023, budget revenues accounted for 28.6 percent of GDP, and budget expenditures accounted for 29.6 percent. Compared to 2019, the volume of deposits of the population in banks increased by 49.9 percent in 2023, the number of population by 2.1 percent, fixed assets by 24 percent, credit investments in the economy by 56.7 percent, and the volume of investments directed to the economy by 28.4 percent (table 1).

**Table 1.**

**Dynamics of key macroeconomic indicators in the Republic of Azerbaijan**

Indicators	2019	2020	2021	2022	2023	In percentage terms in 2023 compared to 2019
Gross domestic product, million manat	81896,2	72578,1	92857,7	133972,7	123128,4	150,3
Income of the population, million manat	56769,0	55754,1	57181,5	69163	78124,2	137,6
Average monthly nominal wage, manat	635,1	707,7	732,1	840	933,9	147,0
State budget revenues:						
million manat	24398,5	26077,9	26631,7	30679,6	35236,4	145,5
in gross domestic product, percentage	29,6	36,0	28,7	22,9	28,6	-
State budget expenditures:						
million manat	24425,9	26416,3	27422,4	32064,6	36458,0	149,3
in gross domestic product, percentage	29,8	36,5	29,5	24	29,6	-
Deposits of the population in banks, million manat	8637,9	8177,9	9241,5	11743	12947,8	149,9
Number of population million people	10067,1	10119,1	10156,4	10127,1	10188,0	102,1
Fixed funds, million manat	227220,6	240694,0	247624,5	269438,4	281691,1	124,0
Credit investments, million manat	15298,2	14530,4	17119,8	20184,0	23979,1	156,7
Investments directed to the economy, million manat	24986,6	22484,0	25313,8	29135,1	32080,9	128,4

*Source: The table was compiled by the author based on data from the State Statistical Committee. [www.stat.gov.az](http://www.stat.gov.az)*

The implementation of various development strategies designed to ensure economic development, including the improvement of management mechanisms, and the application of new tools and methods for various types of activities, serves to increase the efficiency of state regulation. In this regard, one of the integral parts of the state's economic

policy is considered to be budget policy.

The state budget, in addition to acting as a tool for implementing the state's economic policy, is also connected to the standard of living of its people. The state budget also acts as one of the tools for regulating the economy and determines the direction of spending money. In 2023, the state budget's revenues amounted to 35.2 billion manats, which is 45.4 percent more than in 2019. Budget expenditures increased by 49.2 percent during the comparison period and reached 36.45 billion manats. During that period, the budget deficit increased by 5.87 times and amounted to -1.2 billion manats. The share of state budget revenues in GDP was 29.6 percent in 2019 and 28.6 percent in 2023. The share of budget expenditures in GDP is 29.8 percent and 29.6 percent, respectively (Table 2).

**Table 2**

**Main indicators of the state budget of the Republic of Azerbaijan**

Years	Public finance				
	Budget revenues, million manats	Share in GDP, %	Budget expenditures, million manats	Share in GDP, %	Budget deficit (-) Surplus (+)
2019	24218,1	29,6	24425,9	29,8	-207,8
2020	24681,7	34,1	26416,3	36,5	-1734,6
2021	26419,1	28,5	27412,8	29,5	-993,7
2022	30660,5	22,9	32063,3	24	-1402,8
2023	35236,39	28,6	36457,96	29,6	-1221,57
In percentage terms in 2023 compared to 2019		X		X	5.8 times

*Source: The table was compiled by the author based on data from the Central Bank of the Republic of Azerbaijan. [www.stat.gov.az](http://www.stat.gov.az)*

As we know, taxes constitute the main item of budget revenues. The analysis shows that, compared to 2019, state budget revenues in 2023 increased by 44.4 percent, income tax from individuals by 74.3 percent, profit tax from legal entities by 3.1 times, property tax by 37.7 percent, value added tax by 56.8 percent, excise tax by 69.9 percent, mining tax by 22.2 percent, taxes from foreign economic activity by 34.1 percent,

other tax revenues by 3.5 percent, and other revenues by 4.2 percent. Compared to the period 2019-2023, land tax revenues decreased by 4.4 percent.

At the same time, in 2019, 73.4 percent of state budget revenues were formed at the expense of taxes. The specific weight of income tax in the budget was 4.4 percent, the specific weight of profit tax of legal entities was 12.1 percent, and the specific weight of value added tax was 10.1 percent. In 2023, 47.5 percent of budget revenues will be tax revenues, 4.8 percent will be income tax of individuals, 27.8 percent will be profit tax of legal entities, and 22.7 percent will be value added tax (table 3).

**Table 3**

**Tax revenues to the state budget of the Republic of  
Azerbaijan, million manats**

Indicators	2019	2020	2021	2022	2023	In percentage terms in 2023 compared to 2019
Revenues-total	24398,5	26077,9	26631,7	30679,6	35236,39	144,4
including:						
Individual income tax	952,1	1151,0	1194,6	1474,4	1659,64	174,3
Profit (income) tax of legal entities	2546,0	2351,7	2958,4	8522,5	8024,29	315,2
Land tax	50,0	40,8	45,7	47,4	47,78	95,6
Property tax	212,6	186,8	211,3	231,5	292,84	137,7
Value added tax	5185,1	4818,3	5214,5	6946,2	8127,73	156,8
Excise	854,7	898,2	1105,8	1358,9	1452,19	169,9
Mining tax	133,8	130,2	138,4	161,0	163,45	122,2
Taxes related to foreign economic activity	1343,2	1160,6	1360,0	1642,9	1800,87	134,1
Other taxes	477,5	413,8	418,8	471,8	494,36	103,5
Other revenues	12643,4	13530,3	13748,8	9823,0	13173,24	104,2

*Source: The table was compiled by the author based on data from the State Statistical Committee. [www.stat.gov.az](http://www.stat.gov.az)*



The consumer price index is considered one of the indicators used to determine the market situation. Determining the consumer price index plays an important role in assessing the impact of the macroeconomic and inflationary process on the standard of living of the population, and in studying the dynamics of prices in various commodity markets. Looking at the dynamics of these indicators, it is clear that the price index increased by 2.6 percent in 2019 and by 8.8 percent in 2023. In accordance with these positive years, it was noted as 3.8 and 9.6 percent in food products, beverages and tobacco products, 1.2 and 8.4 percent in non-food products, and 2 and 8.2 percent in paid services (table 4).

**Table 4.**

**Price indices of consumer products and paid services provided to the population in Azerbaijan (in percentage terms compared to the previous year).**

Years	Total products and services	From here		
		Food, beverages and tobacco products	Non-food products	Paid services
2019	102,6	103,8	101,2	102,0
2020	102,8	105,0	101,3	101,0
2021	106,7	108,1	105,1	105,8
2022	113,9	119,5	108,6	110,4
2023	108,8	109,6	108,4	108,2

*Source: The table data is compiled based on data from the State Statistics Committee. [www.stat.gov.az](http://www.stat.gov.az)*

As can be seen, the implementation of various measures to ensure economic development, the application of advanced and improved management methods in various types and areas of activity, the correct selection of useful methods and forms of regulation, create a basis for increasing the efficiency of state regulation. Therefore, the level of efficiency of the state's economic regulatory policy makes it necessary to carry it out in an improved form, prepare projects and programs that are distinguished by their reliability in this direction, and tighten discipline in the implementation of the intended regulatory measures. These regulatory measures include budget formation, tax and price

policy, investment promotion and free movement of capital, joining local, regional and global markets, establishing a competitive environment, division and clarification of authority and responsibility in economic policy, efficient use of production factors, protection of the interests and benefits of economic entities, reduction of regional development differences, and others. The implementation of this type of regulatory measures ensures more efficient implementation of the state's economic policy.

Thus, economic regulation policy can be characterized as a set of initiative measures implemented by the government to direct economic processes in the desired direction, that is, to improve the government's tax levels, achieve the goals set in the state budget, solve socio-economic problems, and most importantly, to continuously increase the income of the population, improve the level of well-being, and ensure sustainable development in cultural, social, economic, demographic, environmental and other areas, as well as the main line of organizational and economic work carried out by the state.

Based on the research, it can be said that the general goal of state regulation of the economy is to ensure economic and social stability in the regions, sustainable economic growth, self-sufficiency of the regions and economic security. Thus, in order to solve the global tasks of the state regulation of the economy, it is necessary to form an efficient economic and legal environment, as well as a comprehensive system of interconnected and complementary laws on state regulation of the economy.

The last chapter of the dissertation is entitled "Directions for improving and increasing the efficiency of the mechanism for regulating the Azerbaijani economy." This chapter reflects the measures taken by the state to regulate the economy and the directions for their improvement, and identifies the prospects for increasing the science-intensiveness and competitiveness of the economy.

The mechanism of state regulation of the economy mainly covers production, property, technical-economic, socio-economic, etc. relations. This mechanism is associated with the issues of efficient planning, management, development of the economy and efficient use of resources. The mechanism of state regulation determines the

aggregate relations of mutually dependent and connected economic entities. The mechanism of state regulation of the economy, conditioned by the characteristics of these relations, finds confirmation in the development environment on the basis of certain principles. The regulation mechanism directly involves ensuring the compliance of production-consumption relations, which operate in every period of the history of the development and evolution of mankind and have certain goals, with the nature and level of productive forces, accelerating socio-economic progress in society and making production continuously improved, and resolving contradictions arising in economic relations.

The mechanism of state regulation reflects the objective interrelations of events and processes of economic relations of economic entities and economic entities, and also coordinates the purposeful activities of entities in achieving current and strategic goals of economic development. The perfect functioning and management of this mechanism increases the possibilities of building economic processes in accordance with modern requirements and accelerating sustainable development. At the same time, thanks to its structure based on economic regularities, legal framework, and innovative forms of production, it distinguishes economic processes by certain features, protects the interests of the state and society in economic relations, and gives impetus to development. The state regulation mechanism acts as an intermediary component in determining specific forms of management, in the establishment and development of the relationship between production-economic relations and economic policy, regulates the mixed activity of economic entities, and reflects the set of forms, methods, organizational and legal structures in economic management.

Although the state economic regulation mechanism forms a certain system, method, tool, and structure, it should be noted that the significant influence of the existing economic system in the country, the state's economic policy, regulatory objects and subjects on its formation should be noted. Its effective activity also depends on the guarantees, rights, and obligations that create a chance for the country's prospective development. This mechanism is considered to be one of the most active elements that ensures the influence of factors

on which the efficiency of the results of the activities of the regulated object and subject depends.

Since the regulation of the economy includes components such as planning, forecasting, financing, budgeting, lending, taxation, administrative measures, accounting, and control aimed at ensuring the efficient development of economic processes in the interests of the state and society, it covers all stages of the reproduction process. Therefore, state regulation covers all aspects of both the management system and economic activity.<sup>6</sup> The complexity of solving the problem arises from the need to use many assessment and forecast indicators, taking into account the level of income of the population, the investment environment of each region, budget expenditures, and the volume of GDP per capita.

Using the Excel program package, we forecast state budget revenues and find that dynamic growth is expected for this indicator in the coming years (table 5 and graph 1.). Such forecasts are extremely important in terms of ensuring the efficient distribution of budget revenues.

**Table 5.**

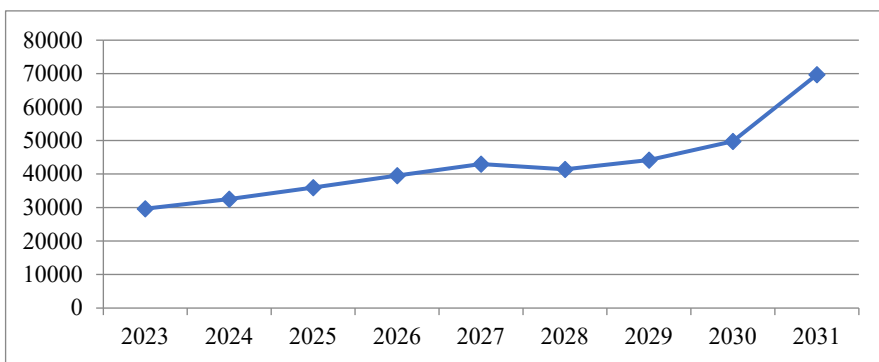
**Actual and forecast indicators of state budget revenues, million manats.**

<b>Years</b>	<b>Revenues</b>	<b>Years</b>	<b>Forecast</b>
<b>2013</b>	19496.3	<b>2023</b>	29670.41
<b>2014</b>	18400.6	<b>2024</b>	32534.18
<b>2015</b>	17498.0	<b>2025</b>	35937.9
<b>2016</b>	17505.7	<b>2026</b>	39537.44
<b>2017</b>	16516.7	<b>2027</b>	42976.93
<b>2018</b>	22508.9	<b>2028</b>	41388.98
<b>2019</b>	24398,5	<b>2029</b>	44165.54
<b>2020</b>	26077,9	<b>2030</b>	49766.03
<b>2021</b>	26631,7	<b>2031</b>	69721.7
<b>2022</b>	30940.7	<b>2032</b>	-

*Source: The table was compiled by the author based on data from the Constituent Assembly. [www.stat.gov.az](http://www.stat.gov.az)*

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<sup>6</sup> Afanasyev K. S., Kazennov A. S., Popov M. V. State regulation of the economy as a means of economic policy: monograph. Leningrad University Publishing House Publishing House of Leningrad State University named after A. S. Pushkin — M., 2017. — 148 p.



**Chart 1. Forecast of state budget revenues, million manats**

*Source: The author prepared the graph based on data from the Constituent Assembly. [www.stat.gov.az](http://www.stat.gov.az)*

It allows us to summarize the place and role of state regulation measures in the development of the economy and increasing its level of competitiveness in the conditions of globalization. Thus, it is impossible to successfully solve the emerging problems without constantly improving the measures for regulating the economy, depending on the tendency of economic processes to change.

The state's regulatory policy primarily involves improving measures related to the coordination of state policy in the field of science and technology and innovation, expanding the application of scientific and technical achievements and technologies, thus ensuring the science-intensiveness, efficiency and competitiveness of the economy in the long term. It should be borne in mind that the forms of regulation do not remain static and are enriched and updated in accordance with the conditions of development in society and the world. The efficiency of the economy, along with the state's incentive policy and support in the scientific and technical field, requires the expansion of international scientific and technical cooperation. Studies show that the main tasks to be solved in the innovation and scientific and technical fields are directly related to the formation of modern technological structures and stabilization of the situation in the field of science. At the same time, it is required to align the results of state support for the scientific and technical sphere with the needs of ensuring economic efficiency.

## CONCLUSION

The study of various aspects of economic regulation and the assessment of its development mechanism show that currently the regulatory process is becoming more systematic. Thus, under the influence of globalization, all participants in economic relations feel the need for state support in their activities and the neutralization of various negative effects. The strengthening of the role of the state in regulating the economy leads to a functional and structural differentiation of the regulatory mechanism. The evolution of the state's regulatory function, taking into account the characteristics of developing market relations, should be based on more advanced regulatory activities.

Studies show that the renewal of the regulatory system requires the creation of the necessary organizational and economic conditions for the identification and implementation of improvement measures, ensuring the structural and technological restructuring of the economy. In such conditions, the main issue is to determine the most rational direction for the development of the state regulatory system. The regulatory function of the state allows for the coordination of interrelated activities that can be considered independent in the field of economic regulation. The mechanism of economic regulation is directly aimed at improving infrastructure, entrepreneurship and innovation policy with multi-purpose economic activity. Direct and indirect forms of state regulation of the economy are associated with the application of certain methods of state influence on regulated objects. Direct methods are associated with administrative measures, including prohibitions, permits, coercion, and indirect methods are associated with economic methods based on fiscal regulation, monetary and credit, and state programming.

Perspective instruments of state regulation of the economy cover such important issues as the production of strategically important products, competitiveness and protection in domestic and foreign markets, orientation towards high-tech areas, etc. At the same time, the main and indirect instruments of state regulation are applied in a coordinated manner in order to achieve the global goals of economic

development.

The effectiveness of the mechanism of regulation of the economy can be based on the analysis of the development of trends based on macroeconomic indicators, assessment of results and forecasting. At the same time, the criterion for assessing the effectiveness of state regulation implies a certain generalization of the production function. Thus, the directions for improving the effectiveness of the mechanism of regulation of the economy are related to the creation of an innovative economy in the long term and are based on the principles of consistency. The innovative development of the economy, in turn, depends on the efficiency and level of development of the state regulatory mechanism.

Based on the above, it can be considered appropriate to implement the following measures in order to improve the mechanism of economic regulation:

1. It is important to pay attention to the formation of the strategic direction of the state regulation mechanism, based on world trends and practices, and modern economic relations, as the main link of economic policy. In this regard, the features of state regulation of economic development and the uniqueness of each area of economic activity require a new approach to the model of the state's influence on the economy.

2. Regulation of the economy includes a complex of systematic and continuous legislative, executive and control measures implemented by authorized state structures in order to make the existing socio-economic system sustainable and develop it. Also, the regulation mechanism can be characterized as the process of creating a mixed economy that optimally coordinates state and private property. Therefore, in state regulation of the economy, it is important for all relevant state institutions and mechanisms to modernize various sectors of the economy and create an efficient economic structure based on the optimal combination of various forms of ownership.

3. The analysis of the policy of economic regulation and its results shows that, although attention is paid to regional development issues in the regulation process, the measures taken have not yet allowed to achieve sufficiently effective results in this area. Currently, the main

need of individual economic regions is investment and reconstruction issues to revive and increase production. Therefore, among the measures taken in the regions, the need to restructure production on innovative grounds, and to direct state finance and private capital to regional development in a coordinated manner remains.

4. In the conditions of the development of a market economy, the formation of a system of state regulation of the development of individual economic activity areas is of great importance. State regulation of the development of economic activity areas creates the basis for maximum use of regional factors in the development of public production, creating additional opportunities for achieving efficiency in territorial specialization using a system of all economic methods. Regulation of the development of economic activity areas involves mechanisms serving the development of specific territories through financing targeted programs of state and local self-government bodies, granting preferential loans and taxation, and promoting the development of areas using the state budget.

5. World experience in regulating the economy, protecting the interests of the state and society shows that regulatory measures serving the renewal of the economy require the renewal of state institutions themselves, the reorganization and improvement of their functions, and the rationalization of management structures. In this regard, the foundations of the stability of the economy are based on a sufficiently high efficiency of macroeconomic regulation by the state. Therefore, in most countries, the economic regulatory policy is aimed at macroeconomic stabilization. Based on the above, in the formation of an economically efficient regulatory policy, it is important to take into account the experience of states that defend their interests and ensure their economic security in the conditions of international competition.

6. The state regulatory policy involves improving measures related to the coordination of state policy in the field of science and technology and innovation, ensuring the science-intensiveness and efficiency of the economy. The efficiency of the economy requires the expansion of scientific and technical cooperation along with the state's promotional support in the scientific and technical field. The main



tasks to be solved in the field of innovation and science and technology are directly related to the formation of modern technological structures in strategically important areas of the economy. In this regard, it is necessary to align the results of state support for the science and technology sector with ensuring economic efficiency. Therefore, it is necessary to increase the efficiency of using existing resources in the activities carried out.

7. Globalization processes require ensuring economic development based on innovative technologies. In this regard, the factor of competition in global and national markets is of decisive importance. The impact of competition is more pronounced through the means of state legal regulation. In such conditions, it is possible to form the competitive potential of sectors and entities only through state support. Naturally, competitiveness implies preserving the position of entities operating in a competitive environment. Therefore, the competitiveness of entities can be assessed as a priority factor in their socio-economic development. Since this is one of the main conditions for the sustainable development of the economy, there is a need for continuous regulation of the competitive environment.

8. Regulatory measures implemented by the state include identifying and coordinating potential interests, determining the organizational and legal forms of economic entities. The innovative direction involves the formation and development of clusters. Cluster development is more pronounced in areas where innovative development of production technology is carried out. In this regard, state support for the creation of clusters can be implemented primarily through the use of budget resources. Therefore, it is inevitable that the regulatory role of the state will increase in the selection of economic development directions.

**The following articles and theses of the author on the topic of the dissertation have been published.**

1. Babayev M. R. The importance of regulating regional tourism as an integral part of economic development in the Republic of Azerbaijan./ Azerbaijan University of Tourism and Management, Materials of the Republican Scientific and Practical Conference. No.

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12. Babayev M.R. The Importance of Clusters in Regulating Economic Development: Clusters as a Guide to Economic Development. Economy and Entrepreneurship. No. 3 (164), 2024. pp. 558-562.



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