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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

DIRECTIONS FOR IMPROVING EFFICIENCY AND ATTRACTIVENESS OF CREDIT RESOURCES

Speciality: 5308.01 – “General economy”

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GENERAL NATURE OF THE WORK

Relevance and degree of development of the topic : The expansion of globalization, having a serious impact on the structure of the national economy and economic growth, requires the stimulation of the development of competition, the implementation of socially useful functions in various spheres of the economy. In this regard, the flexibility of adaptation to environmental conditions of sectors that are more sensitive to changes in consumer demand and market conditions ensures their business activity and ability. Currently, the problems of attracting and placing temporarily free funds in the economic system remain relevant.

The impossibility of the development of entities operating in various spheres of the economy solely at the expense of their own resources is primarily due to certain limitations. At the same time, the sustainable development of economic activity requires additional resources. Therefore, attracting external financial resources, including providing the economy with credit resources, is considered one of the most important issues in modern conditions. The issue of the use of borrowed funds by entities in the conditions of differentiation of regions according to the level of economic development and the standard of living of the population is one of the main factors determining economic development. In this context, the interaction between banks and the real sectors of the economy, ensuring their competitive advantages and stimulating their development becomes a necessity. In general, a banking system that functions efficiently by responding to the needs of the economy is the most important factor in the economic independence, security and sustainable development of the state.

The credit mechanism plays a key role in the formation of the process of reproduction in various sectors of the economy as a whole, as well as at the regional and subject levels. As is known, for the effective functioning of the credit mechanism, the stabilization of the financial and payment systems, along with the production sphere, is among the macroeconomic conditions. Such a situation also forms the basis for the development of the market lending mechanism by

reducing the risks of capital investment. The modern credit system also serves the movement of capital and various monetary funds, ensures the transformation of monetary capital into a credit resource and expresses relations between creditors. With the help of the credit system, free monetary capital and income of legal entities and individuals and the state are accumulated, temporarily provided for use in the form of a credit resource at a certain interest rate. Thanks to loans, the loss of time associated with meeting economic and personal needs is reduced or eliminated.

Credit, as a type of economic transaction, arises in the sphere of exchange. Its economic basis is the circulation of funds. The need for credit is determined by the laws of capital turnover and turnover in the process of reproduction. At the same time, in order to turn the potential opportunity of credit into economic reality, it is also important to form important conditions such as the coincidence of the interests of the lender and the borrower, the legal independence of the subjects of the credit transaction, which guarantees the fulfillment of obligations arising from economic relations and the subject of the credit agreement. Also, establishing a new level of interaction between the bank and its customers in the field of lending, ensuring the accessibility of credits, are currently one of the priority issues in economic policy. In this regard, *real working mechanisms that will ensure the accessibility of bank credits, issues of securing bank credits* have been identified in the “Azerbaijan 2030: National Priorities for Socio-Economic Development ¹”. Also, in the “Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan” it is stated that “*increasing the financial sustainability and competitiveness of the banking sector, more efficient use of resources*”² is reflected.

The creation of a mechanism for consistency and interaction in the provision of loans in a certain segment of the economy requires

¹Azerbaijan 2030: National Priorities for Socio-Economic Development. Decree of the President of the Republic of Azerbaijan dated February 2, 2021.

² Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan . Decree of the President of the Republic of Azerbaijan dated December 6, 2016.

compliance with general approaches to credit activity of the credit sector, as well as the methodological basis for the formation of the credit system, which emphasizes the theoretical and practical study of its fundamental principles and the experience of banks in this field of activity .

Currently, the effective functioning of the crediting mechanism as a factor of economic growth and the study of its role in the system of economic relations are among the problems that researchers at the macro and micro levels are focusing on. In this direction, in Azerbaijan, Z.A. Samadzade, E.A. Guliyev, B.X. Atashov, S.M. Mammadov, Z.F. Mammadov, E.Ibrahimov, T.Z. Valiyev, M.Sadigov, M.M. Bagirov, M.Khuseynov, M.X. Hasanli, N.M. Manov, E.A. Ibrahimov, E.B. Mammadova, Y.A. Mammadov, X.A. Huseynov, N.N. Novruzov, R.A. Bashirov, N.R. Guliyev and others have conducted extensive research.

Among those who contributed to the study of credit and efficiency issues within the framework of classical economic theory, we can mention A. Gann, C. Keyne, F. Knight, J. Say, Y. Schumpeter, I. Fisher and others. At the micro level, these problems were studied in the theory of banking and financial markets by E. Reed, E. Rode, P. Rose, L. Harris and others .

The general provisions of existing conceptual approaches are the necessity of using the credit mechanism to stimulate the development of the real sector of the economy. However, the attractiveness and specific mechanisms of stimulation of lending in the current institutional environment, as well as the development directions of credit relations, have not been sufficiently studied.

Object and subject of the research. The object of the research of the dissertation work is the country's economy and its sectors. The subject of the research is economic relations, methods and means related to the issues of attracting credit resources to various sectors of the economy and its efficiency.

Goals and objectives of the study. The goal of the study is to identify prospects for improving the attractiveness and efficiency of credit resources by examining the theoretical and methodological aspects of the formation and efficiency of credit resources, as well as

analyzing the level of use of credit resources in individual sectors of the economy, and to develop proposals and recommendations in this regard. The following tasks have been identified in this direction:

- generalization of scientific and theoretical aspects of the formation of credit resources;
- analysis and generalization of methodological approaches related to the efficiency of credit resources;
- determining the conditions for the formation of an environment of attractiveness of credit resources;
- analysis of the level of use of credit resources;
- examining the efficiency of using credit resources;
- assessment of the attractiveness of credit resources and the factors affecting it;
- Characterization of directions for improving the attractiveness of credit resources;
- determining directions for improving the efficiency of using credit resources;
- Identifying opportunities to use international experience in the use of credit resources and preparing proposals and recommendations in this direction.

Research methods: In order to investigate existing problems in the dissertation work, analysis, synthesis, economic-statistical, analytical analysis, and comparative analysis methods were used.

The main provisions put forward for defense. The main provisions put forward for defense are as follows:

- It is necessary to generalize scientific and theoretical views on the formation of credit resources and methodological approaches that determine the efficiency of credit resources;
- There is a need to identify the conditions for the formation of a credit environment and the main aspects of the attractiveness of credit resources;
- It is important to identify the factors affecting the level of use of credit resources and the relationship between them;
- One of the main issues is the evaluation of the results obtained based on indicators characterizing the efficiency of the use of

credit resources;

- to determine the relationship between the conditions for obtaining credit resources, the environment for the attractiveness of loans, and the efficiency of using credit resources, based on an analysis of the current situation regarding the attractiveness of credit resources and the factors affecting it;
- It is of great importance to identify directions for improving the attractiveness of credit resources and to generalize the priorities of state policy in this area;
- There is a need to study directions for increasing the efficiency of using credit resources at the macro and micro levels and the possibilities of using international experience in this aspect.

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

- In developing the scientific and theoretical foundations of the formation of credit resources, the development features of the lending mechanism, including the intensity of use of existing resources, and the need to optimize the credit offer in accordance with demand, were substantiated;
- The efficiency of credit resources and the conditions for the formation of a credit environment, as well as the main aspects of the attractiveness of credit resources, have been determined, taking into account consumer demand;
- Based on the analysis of indicators characterizing the level of use of credit resources and the efficiency of credit use, the relationship between the factors affecting them has been determined;
- Based on the analysis of the current situation regarding the attractiveness of credit resources, the impact of the conditions for obtaining loans and the attractiveness of loans on the efficiency of their use was determined;
- Priorities have been developed to improve the attractiveness of credit resources and increase the efficiency of using credit resources, taking into account the opportunities for using international experience.

Theoretical and practical significance of the research. The theoretical significance of the research consists in the scientific substantiation of the theoretical and methodological provisions of the formation of credit resources at the macro and micro levels. In this area, especially the conceptual approaches related to the financial stability and credit attractiveness of banking structures, are closely related to economic conditions and theoretical aspects of the research. The scientific and theoretical provisions determined in this regard can be considered as an important strategy in the development of the lending mechanism of economic activities and entities. The main scientific provisions and results of the dissertation research can also play the role of a theoretical and methodological basis for research on ensuring the increase in the efficiency of the use of credit resources.

The practical significance of the study is characterized by the proposals developed to improve the credit attractiveness of banking structures, and the role of these proposals in identifying opportunities for increasing the efficiency of using credit resources. The results obtained and the proposals put forward can also be used to ensure the financial stability of banking entities and to formulate and improve the credit attractiveness strategy.

Approval and application: The main provisions of the study are: It is reflected in 3 theses (1 of which was published abroad) and 6 articles (1 of which was published abroad) published in prestigious international and republican journals recommended by the Higher Attestation Commission, as well as in conference proceedings. Among the published scientific works are the theses “Directions for increasing the efficiency of using credit resources” (Mingachevir, 2022), “Perspectives on ensuring the availability of credit resources” (Berlin, 2023), “Factors determining the formation of demand for credit resources” (Ganja, 2024) , as well as The following articles can be cited: “The Policy of Formation of Credit Resources and Factors Affecting It” (Ganja 2020), “The Necessity of Ensuring the Attractiveness of Credit Resources” (Ganja 2021), “Criteria for Assessing the Effectiveness of the Credit Mechanism” (Moscow, 2022), “Credit Resources as One of the Main Means of Financial

Security and Stability” (Baku, 2023), “The Impact of Competition in the Banking Sector on the Efficiency of Credit Relations” (Ganja, 2023), “Development Prospects of the Modern Banking System” (Baku, 2024).

Name of the organization where the dissertation work was accomplished: Azerbaijan State Agricultural University.

The total volume of the dissertation, with a mark indicating the volume of the structural sections of the dissertation separately. The dissertation work consists of 233520 characters, including an introduction, three chapters, a conclusion, and a list of used literature. The introduction is 11750 characters, Chapter I is 61003 characters, Chapter II is 52314 characters, Chapter III is 74109 characters, a conclusion is 7400 characters, and the list of used literature is 15384 characters. The research work contains 14 tables, 3 graphs, 2 diagrams, and 1 picture, and the list of used literature contains 131 sources. The dissertation work consists of 206576 characters, excluding pictures, tables, graphs, and the list of used literature.

SUMMARY OF THE RESEARCH WORK

The introductory part of the dissertation, the relevance of the topic is justified , the goals and objectives of the research , and the methods are characterized, The main provisions put forward for defense were commented on, and the scientific innovations , theoretical and practical significance and approval of the work were reflected.

of the dissertation titled "**Theoretical and methodological issues of the formation and efficiency of credit resources**" explains credit resources, theories related to the mechanism of their formation, methodological aspects of the efficiency of credit resources, and conditions for ensuring the attractiveness and accessibility of credit resources.

The development of market relations fundamentally reveals the importance of the problem of the development of credit relations between business entities, individuals and banks. Depending on the

level of development of economic processes, more and more legal entities and individuals now need to attract borrowed funds to carry out their activities and make a profit. In this regard, the demand for working capital of various economic entities is mostly realized at the expense of bank loans within the framework of a credit agreement.

The credit activity of banks is one of the main criteria that distinguishes them from non-bank organizations. In world practice, a significant part of the profit of banks is associated with lending. The credit process consists of a certain sequence of methods organized and adopted by the bank for the implementation of credit relations. In this process, a redistribution of funds in the financial system occurs.

Since credit is one of the main conditions for extensive reproduction, the strengthening of the role of credit relations as a means of stimulating the development of production is manifested in various aspects. Through the process of lending, banks directly participate in the formation of market relations, in increasing the efficiency of production, in meeting the demand for financial resources of the economy. Through loans, banks also contribute to increasing the scientific and technical level, stimulating the production of new highly efficient types of products, providing various services to the population, and expanding activities related to production and export. The importance of loans is also characterized by the role they play in the formation of market structures, expanding entrepreneurial activity, and increasing trade and procurement operations.

Theories related to credit have gone through a long development path, and at each stage of development the question of the essence and role of credit in the economy has remained relevant. Two theories regarding the formation of credit prevail: naturalistic and capital-forming theories. Their content can be generally characterized as follows:

- the object of credit is natural products, that is, credit carries out the redistribution of material values, and banks are only intermediaries. The basis of the naturalistic theory of credit is the fact that credit does not create real capital;
- credit plays a crucial role in the economy, it brings profit and is

productive capital, and at the same time determines the economic development of society. The basis of this approach is the theory of capital formation.

Based on the above, it can be noted that in the development of credit relations, special importance should be given to the functions, principles, and credit laws it performs, based on relevant theories.

The systematic and economically efficient operation of banks depends significantly on the state of their resource potential. The lack of a sufficient level of resources complicates the current and long-term activities of banks and prevents them from fulfilling regulatory conditions. This means that the resource potential of banks plays a key role in ensuring the performance of credit functions even in conditions of diverse and contradictory conditions. The above shows that the formation of credit resources and increasing the efficiency of their use are always relevant. The efficiency of the use of credit resources is of particular importance for credit activities and, playing a key role in assessing the potential of credit resources, allows banks to determine their positions in the market. Determining and assessing the ability of banks to provide credit ensures the alignment of goals and objectives with market principles and the development of strategies for the sustainable development of banks.

It should be noted that the vast majority of banks define as one of the main goals the provision of necessary support to their clients to improve their financial situation, continue and develop their long-term activities, offer optimal financial regulation and evaluate the implementation of borrowers' investment projects. Therefore, in practice, banks are not interested in building their activities without inextricably linking credit products with each other.

From the above, it is clear that in the interpretation of the credit mechanism, it is important to emphasize its attractiveness and accessibility, since by its nature, improving the purpose and use of credit is one of the main conditions for its effectiveness. In conditions where the analysis of the borrower's creditworthiness takes on a superficial, formal character, important issues such as attractiveness and accessibility remain in the shadows. In this regard, the interaction of banks with customers should be based on the

establishment of stable, sustainable and reliable relationships that are appropriate for credit products.

The second chapter - "**Current status and economic efficiency of the use of credit resources in economic spheres**" - assesses the dynamics of credit investments in the economy, the relationship between economic growth and the use of credit resources, the effectiveness of the lending mechanism and its assessment criteria, and factors affecting the formation of demand for credit resources.

Ensuring sustainable growth of the economy, reducing its dependence on world markets, and operating more efficiently within the global economy as a whole is impossible without taking the necessary measures. In the indicated direction, the country's economy faces quite complex tasks, the most important of which is the formation of the necessary conditions for stable development. In this regard, the modernization of the country's economy and its individual sectors, the structural restructuring of the real sector, and the activation of innovation processes require the intensification of the development of the financial sector. One of the necessary conditions for extensive reproduction in the modern economy is the provision of various sectors of the economy, as well as economic entities, with the necessary funds, the existence of an effective system of interaction between financial resources and real capital. Thus, the involvement of the financial sector in the investment process has a significant stabilizing effect on the general state of the sectors of the economy and the dynamics of production, and allows regulating fluctuations in the cash flow of entities. The use of credit resources is of particular importance in this regard.

Studies show that the efficient allocation of economic resources within the country is ensured primarily by the formation of demand for financial resources, including credit. Also, the regulation of the economy based on bank financing has more opportunities in the short and medium term. The results of the relationship between the development of the financial and banking sector and economic growth allow us to speak about its positive nature.

One of the main indicators of economic growth is gross domestic product (GDP). The level of GDP plays a fundamental role in

determining the demand for credit resources. In this regard, the dynamics of GDP production by types of economic activity shows that over the past 5 years, i.e., compared to 2019, in 2023 there was an increase in most areas : in agriculture, forestry and fishing by 46.1%, in the mining industry by 42.4%, in the processing industry by 73.5%, in the production, distribution and supply of electricity, gas and steam by 61.3%, in water supply, waste treatment and processing by 85.8%, in construction by 24.6%, trade; in vehicle repair by 50.7%, in transport and warehousing by 56.9%, in information and communication by 46.1%, in financial and insurance activities by 58.2%, in real estate-related operations by 58.2%, in professional, scientific and technical activities by 61.1%, in administrative and support services by 67%, in public administration and defense; in social security by 98.5%, in education by 63.9%, in health and social services by 90.4%, in recreation, entertainment and art by 66.1%, in other services by 52.3%, and in total activities by 50% (Table 1).

Table 1

Gross domestic product by type of economic activity, at current prices, in million manats

Types of economic activities	2019	2020	2021	2022	2023
Village agriculture, forestry and fishing	4664.2	4891.0	5456.8	6376.3	6815.6
Mining industry	28846.8	19248.2	31931.1	60263	41082.2
Processing industry	4097.8	4428.4	6337.1	6699.1	7107.8
Electricity energy, gas and steam production, distribution and equipment	791.7	890.2	1018.1	1203.6	1291.3
Water equipment, of waste cleaning and processing	149.6	165.8	211.3	269.0	277.9
Construction	6098.8	5718.5	5470.9	6471.6	7600.4
Trade; vehicle repair	8185.9	8366.5	9422.2	11027.4	12332.8
Transportation and warehousing	4867.1	5174.5	6397.0	8041.9	7637.0

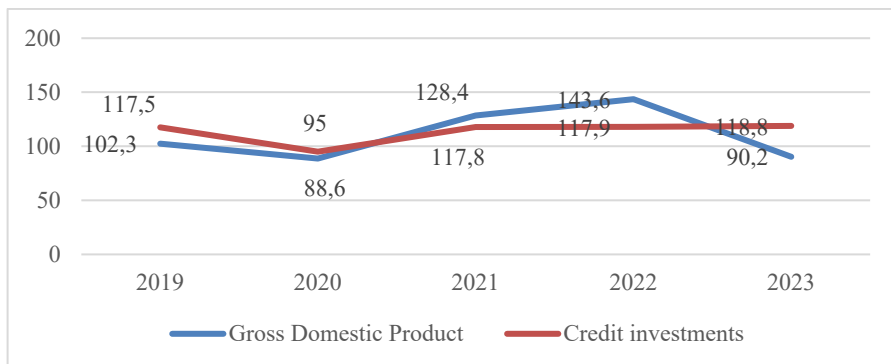
Continuation of Table 1

Tourist - accommodation and - catering	1980.2	829.2	1163.9	2115.2	2684.5
Information and communication	1472.2	1538.7	1632.5	1885.6	2151.4
Financial and insurance activities	1502.2	1485.4	1639.1	2274.3	2376.0
Real estate related transactions	2401.2	2422.1	2672.0	2786.0	3798.2
Profession, science and technical activity	1272.8	1220.5	1348.4	1432.3	2051.1
Administrative and assistance services display	482.0	556.0	577.3	739.6	804.8
State management and defense; social insurance	2482.5	2898.2	3197.2	3964.1	4927.1
Education	2391.8	2693.5	2964.1	3521.1	3920.8
Public health and social of services display	1417.9	1904.8	2101.3	2506.3	2699.0
Leisure, entertainment and fine arts field of activity	574.4	518.4	541.1	1105.3	954.3
Provision of services in other areas	854.6	779.8	932.1	1278.7	1301.6
Total by activity type	74533.7	65729.7	85013.5	123960.4	111813.8

Source: The table was compiled by the author based on materials from the State Statistical Committee of the Republic of Azerbaijan.

The above allows us to conclude that when there is a serious relationship between the volume of lending and the main macroeconomic indicators, the level of impact of lending on economic growth increases. This, in turn, confirms the existence of an interaction between lending and the spheres of the economic system. In this context, when we look at the dynamics of gross domestic product and credit investments in the economy compared to the previous year, it becomes clear that, compared to 2022, in 2023,

while credit investments in the economy increased by 18.8 percent, gross domestic product decreased by 9.8 percent. However, while this dynamics occurred proportionally until 2022, it was different in 2023 (graph 1).



Graph 1. Dynamics of gross domestic product and credit investments in the economy, compared to the previous year, in percentage terms

Looking at the structure of credit investments in the economy by credit institutions, it is clear that private banks had a higher specific weight in total credit investments. Thus, in 2019, the specific weight of loans allocated by private banks varied between 80.7-73.8%. The specific weight of state banks in credit investments was at the level of 16.7-22.9% in the years of analysis. The share of non-bank credit institutions was recorded at the level of 2.6-3.3%. As a result of the analysis of the dynamics of credit investments in the economy by credit institutions, it is clear that in 2023, compared to 2019, total credit investments increased by 56.7%. The increase was 2.1 times for state banks, 43.3% for private banks, and 2 times for non-bank credit institutions (table 2).

Analysis of statistical data shows that the majority of credit investments in the country's economy fell to the non-state sector. Thus, in 2023, 22619.6 million manats were invested in the non-state sector, and 921.6 million manats in the state sector. Compared to 2019, credit investments in the non-state sector increased by 72.2

percent, while credit investments in the state sector increased by 3.5 percent (diagram 1).

Table 2

Structure of credit investments in the economy by credit institutions, million manats

Years	Total credit investments	State banks		Private banks		Non-bank credit institutions	
		Total	Specific gravity, %	Total	Specific gravity, %	Total	Specific gravity, %
2019	15298.2	2561.5	16.7	12339.4	80.7	397.2	2.6
2020	14530.4	2776.5	19.1	11380.5	78.3	373.4	2.6
2021	17119.8	3333.0	19.5	13326.1	77.8	460.7	2.7
2022	20184.0	3852.3	19.1	15742.1	78.0	589.6	2.9
2023	23979.1	5496.2	22.9	17686.8	73.8	796.2	3.3
Compared to 2019 - in 2023, in %	156.7	2.1 times	X	143.3	X	2 times	X

Source: The table was compiled by the author based on materials from the State Statistical Committee of the Republic of Azerbaijan.

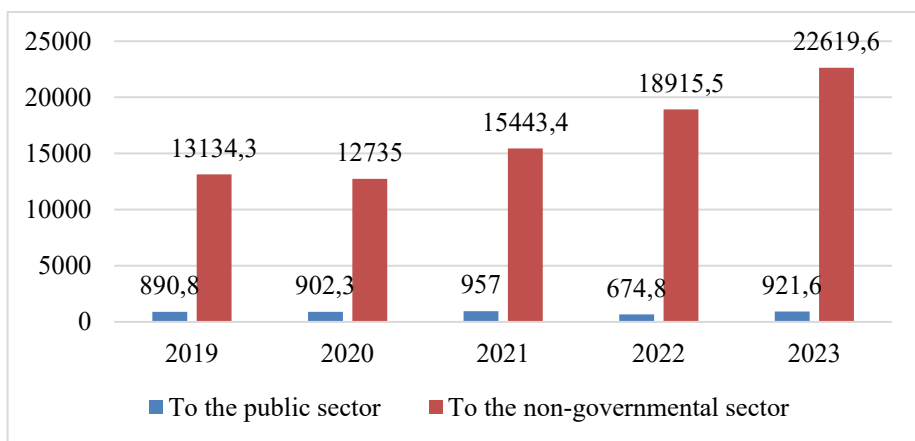


Diagram 1. Structure of credit investment by sectors, million manats

The above shows that credit resources play a fundamental role in increasing the volume of competitive production , attracting scientific and technical innovations to production , and ensuring food security. This requires ensuring the consistency between the volume of allocated funds and the demand for credit resources and implementing an effective credit policy.

The lending mechanism, which includes credit investments and the organization of lending, solves the problem of efficiency in credit policy.

highlights as one of the current issues. The effectiveness of the lending mechanism determines the outcome of the financing process with credit resources,

determines the purpose and role of credit in the development of economic entities. The role of credit in the activities of sectors and entities implies not only its purpose, but also the selection of the most appropriate option to achieve more effective results in the direction of credit. In this sense, the analysis of the effectiveness of the lending mechanism is considered one of the most important issues. The effectiveness of the lending mechanism is the final result of credit investments and the use of credit resources.

A credit mechanism is considered effective when credit investments and the organization of lending more effectively ensure the achievement of the set goal. Such goals are determined by the following: maintaining and creating jobs, strengthening the budget, developing strategically important sectors of the economy, developing business, increasing export volumes, producing socially important products, etc. This approach shows the importance of the set goals at the country level, otherwise it becomes difficult to determine the level of achievement of the goals of the lending mechanism and, accordingly, its effectiveness. In this regard, the analysis of the profit and loss of the banking sector shows that, compared to 2019, in 2023, interest and types of income increased by 81.7%, interest on loans by 81%, special reserves created for accrued interest by 1.8%, interest and related expenses by 53.2%, including interest on deposits by 60%, net income by 96.1%, non-interest income by 89.1%, non-interest expenses by 93.8%, operating profit by 93.3%, allocations to create a

special reserve to cover possible losses on assets by 46.2%, profit before taxes by 2 times and net profit by 2 times. During the compared period, other income of the banking sector decreased by 87.3% (Table 3).

Table 3

Profit and loss of the banking sector, million manats

Profit and loss items	2019	2020	2021	2022	2023	In 2023 compared to 2019, in %
1. Interest and income types	1922.2	1920.5	2107.0	2738.8	3492.9	181.7
1.1 Interest on loans	1421.6	1519.5	1708.1	2194.4	2573.8	181.0
- calculated on interest - rates created for a purpose reserves	44	59.9	31.1	40.5	44.8	101.8
2. Interest and to them related expenses	547.9	492.5	538.4	657.8	839.4	153.2
2.1 Interest on deposits	372.4	312.9	362.3	459.0	596	160.0
3. Net interest income (loss)	1330.3	1,368.1	1,537.5	2040.6	2608.7	196.1
4. Non-interest income	723.7	672.1	876	1216	1368.2	189.1
5. Non-interest expenses	1205.0	1236.5	1470.7	1885.2	2335.7	193.8
6. Operating profit (loss)	849	803.7	942.8	1371.4	1641.2	193.3
7. Assets may be subject to for compensation of damages especially to the creation of reserves allocations (expenses)	177.3	71	168.9	195.5	259.3	146.2
8. Other income (expenses)	21.3	0.6	0.7	0.1	2.7	12.7
9. Profit (loss) before taxes	693	733.3	774.6	1176.0	1384.6	2 times
10. Net profit (loss)	536.9	567.8	609.0	914.5	1076.4	2 times

Source: The table was compiled by the author based on the materials of the Financial Stability Report of the Central Bank of the Republic of Azerbaijan.

Thus, the mechanism for assessing the effectiveness of the lending mechanism simplifies the monitoring of free cash flow, allows for reducing the influence of subjective factors in credit relations, more accurately identifying problematic elements of the credit mechanism,

and developing a comprehensive program for improving the credit mechanism.

Increasing the capitalization of banks, as well as solving the problem of reducing the quality and volume of resources, are defined as the main conditions for the efficiency of banks' activities . The dynamics of capital resources of the banking sector shows that in 2023, compared to 2019, the specific capital of banks increased by 31.1%. There was an increase of 48.3% in total reserves and 32.3% in total capital. 43.8% increase was recorded in total liabilities and capital resources. It is possible to see that the specific weight of specific capital in total capital is higher. This indicator was 92.9% in 2019, 93.3% in 2020, 92.7% in 2021, 92.6% in 2022, and 92.1% in 2023. In 2023, 12.3% of total assets were accounted for by total capital, and 87.7% by liabilities (table 4).

Table 4
Capital resources of the banking sector, million manats

Capital	2019	2020	2021	2022	2023	Compared to 2019, in 2023, in %
Private equity	4258.0	4382.9	4606.5	5207.6	5583.1	131.1
General reserves	325.0	316.4	362.8	414.5	482.1	148.3
Total capital	4583 , 0	4699.2	4969.3	5622.1	6063.4	132.3
Total liabilities and equity	32722.8	32055.3	38462 , 2	47054.9	49178.2	150.3

Source: The table was compiled by the author based on the materials of the Financial Stability Report of the Central Bank of the Republic of Azerbaijan.

Based on the above, it can be noted that both the capital resources and assets of the banking sector play a fundamental role in the effectiveness of their activities, determining investment activity. This naturally manifests itself in satisfying the demand for loans from consumers. Also, the development of mutual relations between banks and entities operating in the real sector requires an increase in the volume of capital resources and assets .

Thus, from the above, we can conclude that using bank lending to

increase investment attractiveness is one of the most successful mechanisms.

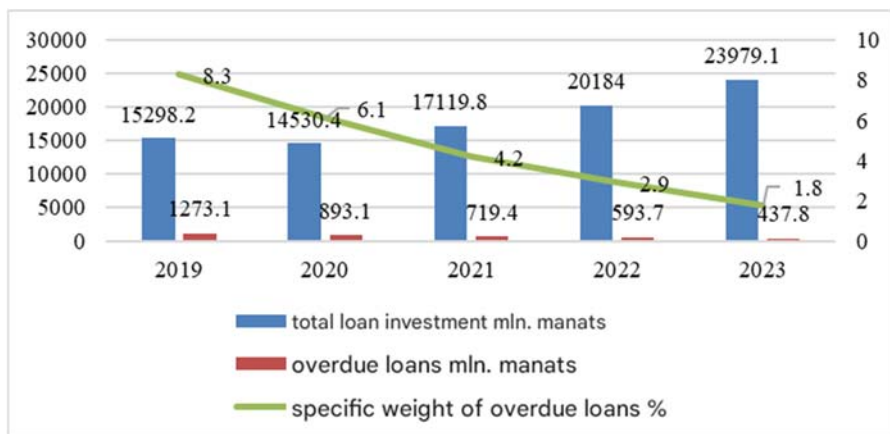
The third chapter is devoted to “ **Directions for improving the attractiveness and efficiency of credit resources .** ” This chapter reflects the directions for ensuring the attractiveness and accessibility of credit resources, the directions for increasing the efficiency of the use of credit resources, the priorities for improving and modernizing the lending process in banks, as well as the issues of regulating the banking system and processes.

The strengthening of the impact of the globalization process on the international economy, the increase in the demand for financial resources in the context of the persistence of price fluctuations in commodity markets require the implementation of an effective policy in the field of fiscal consolidation. Attracting investments to the economy, including its various sectors, is one of the most necessary conditions for the implementation of programs to expand the remanufacturing process, especially in the production sector that carries out non-resource exports. First of all, investments aimed at modernizing production are aimed at increasing productivity, ultimately ensuring economic growth. In modern conditions, technological development based on innovation using investment resources is becoming more relevant. In this regard, the need to take appropriate measures to increase investment attractiveness at the macroeconomic level and to attract new resources to increase the competitiveness of economic activity in domestic and foreign markets is significantly manifested.

One of the main components of the attractiveness of loans is the implementation of infrastructure projects that require public-private partnerships. This mechanism is of greater interest among lenders. Therefore, in order to stimulate potential lending activity, it is necessary to direct certain projects to the development of infrastructure. Bank loans are considered one of the most widespread forms of commercial lending in public-private partnerships. It is known that the main condition for obtaining a loan is the creditworthiness of the project.

The problems associated with ensuring the attractiveness and

accessibility of loans are manifested in the ability of consumers to repay loans. In this regard, the analysis shows that in 2023, compared to 2019, total credit investments in the country's economy increased by 56.7 percent and amounted to 23,979.1 million manat. Overdue loans decreased by 65.6 percent during the compared period, from 1,273.1 million manat to 437.8 million manat. While in 2019, the share of overdue loans in the structure of total loans was 8.3 percent, in 2023 it decreased by 6.5 points and amounted to 1.8 percent (graph 2).



Graph 2. Dynamics of overdue loans

In the economic literature, the credit environment and attractiveness are often interpreted in a similar way. The attractiveness of loans is determined by the influence of two groups of factors: credit reserves and credit risks. Lending activity is an important function of the attractiveness of banks in this regard.

As a result, credit attractiveness is factorial in nature and credit activity is manifested by its effectiveness. Despite the intensification of credit activity of banks in recent years, a number of unresolved problems still remain in this area: the activity of economic entities in obtaining credit is relatively low, the interest in budget funds in financing capital investments is greater, the level of expenditures on scientific research, experimental design and technological work is

low, bank capital is poorly involved in the investment process in certain cases, etc. The above-mentioned leads to a decrease in the impact of the crediting process on socio-economic development.

of banks , the current state of the economy, the unequal distribution of the need for short-term and long-term loans across sectors of the economy, further increases the importance of the problem. The microeconomic nature of the efficiency of using bank resources is considered one of the most urgent problems of the banking system in the conditions of uncertainty of economic entities. Changing the terms of credit in the banking system requires each bank to have certain tools, regardless of the option chosen in terms of using financial resources.

Improving the mechanisms and means of lending to various sectors of the economy is considered one of the most important directions in increasing the pace of socio-economic development. Complex measures aimed at ensuring the accessibility of lending to the economy are of particular importance in this direction. Consequently, supporting banks and other credit organizations, taking into account lending trends, is an important point. It is known that the main feature of the banking system is characterized by the creation of a stable financial base for the broad reproduction of economic entities. In this regard, increasing the contribution of banking system resources to accelerating the pace of economic development, including expanding the additional capitalization mechanism for banks, preparing measures to finance the interest rate policy of credit organizations - investment projects, technical re-equipment, increasing the limits of preferential loans to priority sectors of the economy, improving the quality of banking services, easing lending standards by assessing the financial condition of borrowers, etc. are important issues.

RESULT

Results, and proposals and recommendations made as a result of the study and generalization of the issues of improving the attractiveness and efficiency of credit resources can be expressed as follows:

1. The study of the theoretical provisions of the concept of the formation and development of the credit mechanism and methodological aspects of the efficiency of credit resources in the conditions of economic transformation confirms the importance of taking into account the features of the crediting system of various spheres of the economy. The need to ensure the intensity of use of existing reserves by banks and optimize the credit offer in accordance with demand calls for the determination of conditions for ensuring the attractiveness and accessibility of credit. The coordination of credit resources, the mechanism of its formation and the concept of activity requires the following issues to be taken into account : determination of the main regularities of the formation of the credit mechanism ; consideration of the classification criteria for the functions of the credit mechanism and forms of lending; observation of the dynamics of the development of the credit mechanism; determination of conditions for the efficiency of credit resources.

2. The mechanisms and elements that determine the role of the banking sector in the development of the economy dictate the need to highlight the relationship between economic growth and the level of use of credit resources. Optimization of credit resources, taking into account the conditions for the formation of the credit environment and consumer demand, is considered one of the important aspects of its efficiency. In this regard, the criteria for assessing the effectiveness of the lending mechanism play an important role. Therefore, the coordination of the activities of banks and individual sectors of the economy becomes one of the main conditions for accelerating economic growth. In this regard, the growing role of financial intermediation carried out by banks for the movement of capital gives rise to the conclusion that it is necessary to systematize relations between credit institutions and sectors and subjects of economic activity.

3. The initial economic conditions that determine the interaction of banks and economic sectors require the formulation of methods for creating more efficient interactions between the two sectors. To achieve this goal, it is important to assess the banking and economic sectors as independent management objects, determine the characteristics of

existing mechanisms, and substantiate the factors that affect the efficiency of interaction between these sectors .

4. The study of the development characteristics of the economy and the banking sector gives grounds to note the importance of activating existing processes related to the interaction of these areas, intensifying measures to stimulate business activity and economic growth, and ensuring maximum use of the opportunities for bank loans and population funds to be fully transformed into resources for the development of the economy. This is primarily due to the fact that the economic justification of the efficiency and intensity of the use of resources and services of banks and other credit organizations is based on the adoption of effective decisions related to the resolution of the indicated issues.

5. The study of the development potential of the banking system allows us to draw conclusions about the possibilities of increasing the capital of banks, the importance and feasibility of attracting funds from the population as the main source of long-term resources and the provision of long-term loans by banks. In this regard, it should be taken into account that one of the main driving forces of economic development is the banking system, which serves the production process in the sphere of circulation. From this point of view, increasing the efficiency of the state's economic policy involves the active participation of banks in this process.

6. In the context of the strengthening of the impact of the globalization process on the economy, the increasing demand for financial resources necessitates the effective implementation of mutual functions within the framework of public-private partnership in the field of financial consolidation. Public-private partnership is based on more efficient use of financial resources, especially debt capital - loans, and reduction or elimination of possible risks. In this direction, it is important to attract loans to various sectors of the economy, ensure the accessibility of credit resources and improve their quality.

7. Studies show that the volume and directions of loans also imply ensuring the balance of economic, social and environmental components. Ensuring their balance in this context creates a basis for

creating a favorable environment and institutional conditions for the development of credit relations, strengthening competition and determining ways to effectively use loans. These issues are directly related to the formation of a regulatory and legal framework aimed at creating the necessary conditions for credit attractiveness, as well as the widespread use of modern information and communication technologies. The development and implementation of relevant programs in the formation of an attractive image of banks and other credit organizations, measures to eliminate possible imbalances in the field of improving credit attractiveness, and improving control over the liquidity position of credit organizations are important directions in the mentioned directions.

8. Improving the mechanisms and tools of lending to the economy requires the implementation of complex measures aimed at ensuring accessibility to lending. In this regard, it is important to support the activities of credit institutions, taking into account lending trends, strengthen the impact of bank resources on accelerating economic development, expand the additional capitalization mechanism for banks, and prepare measures to finance the interest rate policy of credit institutions - increasing the limits of preferential loans, improving the quality of banking services, easing lending standards, etc.

9. The implementation of updated service systems for banking products is among the main goals of banks. Therefore, banks are interested in creating modernized products in accordance with the needs of their customers and the capabilities of competing banks in their activities. The dominance of credit products among banking products determines the concentration of key innovations in the credit activities of banks, and this calls for the modernization of credit products. At the same time, it is important to increase the level of technological development of banks, increase the level of automation of their processes, effectively organize customer flow and services provided to customers, and promote new forms of lending.

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