

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**DIRECTIONS FOR IMPROVING THE BUSINESS
ENVIRONMENT AND IMPROVING THE EXPORT
PROMOTION MECHANISM**

Speciality: 5308.01 – General Economy

Field of science: Economic sciences

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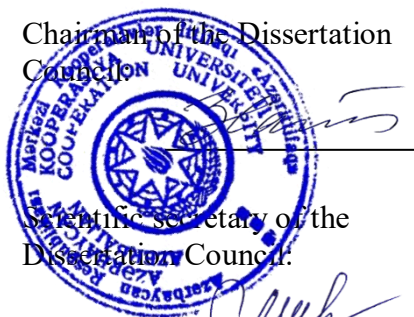
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CHARACTERISTIC OF THE RESEARCH WORK

The relevance of the topic and degree of development.

Ensuring the sustainable development of sectoral and territorial cuts of the economy is of great importance in modern conditions of globalization of the world economy. Elimination of harmful tendencies that may arise in the sectoral and territorial cuts of the economy is considered one of the main prerequisites for ensuring its economic security. In modern conditions, the formation of a free competitive and business environment in the economy has an important role and place in ensuring sustainable development and economic security of the country. Without forming a favorable business environment, it is impossible to carry out effective economic activities in the economy, as well as in its vulnerable areas. A favorable business environment in the economy is of critical strategic importance from the point of view of improving the access of commodity producers and service organizations to resources, regardless of ownership.

Since the oil sector of the country's economy plays an important role in ensuring energy security in the world and large-scale investments are made in this area, it is developing more under the influence of the international market conjuncture. The measures taken to modernize this area have also created favorable conditions for increasing the business attractiveness of the area and improving the business environment. However, as a result of objective and subjective reasons in the non-oil sector of the economy, a not very favorable and efficient business environment has not been formed, unlike the oil sector. In this regard, the agrarian sector and, including agriculture, can be highlighted.

As is known, the non-oil sector of the economy combines other sectors, with the exception of oil and those that interact with it. The non-oil sector plays an important role in meeting the needs of industry for raw materials. The food industry is characterized as an area that plays an important role in meeting the needs of the population at various stages of economic development, affecting economic security, especially in the context of globalization. In this regard, improving the

business environment, improving the export mechanism, expanding the access of commodity producers and processing industrialists to economic resources are of great importance. In terms of maintaining economic security, as well as increasing budget revenues to the state budget, the expansion of access to foreign markets of the products of the mentioned area, including agricultural and food products, is also one of the important points.

It should be noted that the solution of the above-mentioned problems sounds like important global challenges, especially in the context of globalization. Therefore, from the point of view of meeting these global challenges, states are developing various programs and strategic road maps to solve this problem. It is no coincidence that numerous programs and strategic road maps have been adopted in our country in accordance with the normative-legal documents adopted in the Republic of Azerbaijan in the direction of meeting these global challenges and forming a favorable business environment. Thus, in the “strategic road map on the perspective of the national economy of the Republic of Azerbaijan” approved by the decree of the president of the Republic of Azerbaijan dated December 06, 2016 No. 1138, it is noted that within the framework of the above-mentioned priority, the Azerbaijani state will strengthen the institutional foundations of the business environment. In particular, the development of a mechanism of free competition, increasing efficiency, accountability and transparency by reducing the role of the human factor in public-business relations will be taken as the main direction.

Improving the competitive environment requires the presence of sound and fully advanced competitive legislation and the application of this legislation by an objectively and independently functioning competitive body and the implementation of an economic policy that generally follows the principles of competition, eliminates obstacles to the development of competition and does not allow monopolization. Improvement will be continued by strengthening the application of modern technologies in e-government services and simplifying the possibilities of their use for the development of a

favorable business environment.¹

The conclusion drawn from the points mentioned in the Strategic Roadmap is that the state intends to develop a flexible mechanism that takes into account the improvement of commodity producers' access to economic resources on a priority basis and the possibility of applying information and communication systems in this regard. It is believed that this factor will open up wide opportunities for improving the favorable business environment in our country.

When approached from the point of view of solving the problem, it is both profitable for consumers of the domestic market and has an important role in bringing products to global markets.

Taking into account all this, it can be considered that the expansion of measures to promote exports implies the acquisition of new markets, as well as traditional ones. In this case, special attention should be paid to improving competitiveness.

Regarding the degree of elaboration of the topic of the dissertation work, it should be noted that there were numerous works of both our country and foreign economists working in this area. These works are distinguished by their relevance both in the transition period and in a market economy.

However, it should also be borne in mind that the study of both problems in a mutual context has not been carried out. From The Economist scientists of our country Z.A.Samadzade, E.A.Guliyev, B.X.Atashov, E.R.Ibrahimov, I.H.Ibrahimov, A.E.Guliyeva, M.J.Huseynov, A.F.Abbasov, M.M.Huseynov, F.V.Guliyev, E.A.Ibrahimov, S.I.Valiyeva, A.A.Azizov, E.B.Mammadova, N.J.Gafarov and others have conducted scientific research in this direction. From foreign economists L.L.Zobova, P.S.Vladimir, A.K.Sen, M.P. in the scientific works of Todaro research work on improving the business environment as a whole and export activities was also carried out. In the research work, the authors studied the internal and external business environment of commodity producers

¹ “Strategic road map on the prospects of the national economy of the Republic of Azerbaijan” by the president of the Republic of Azerbaijan 06 December. 2016 was approved by Decree No. 1138, Baku, 106 p., p. 91,92.

and examined the theoretical and methodological issues of the named problem. In the research work, the authors studied the internal and external business environment of commodity producers and examined the theoretical and methodological issues of the named problem. Taking as a basis the points put forward in the works of economists of the mentioned country, as well as foreign economists, we believe that our research may allow the implementation of scientifically substantiated and applied significant proposals, primarily on identifying factors affecting the improvement of the business environment, as well as increasing the export potential of products, improving various mechanisms of export promotion.

The object and subject of the study. The object of the study is enterprises operating in the national economy, as well as economic entities carrying out export activities in the non-oil sector. The subject of the study is the study of existing processes related to the business environment and export promotion, the implementation of specific changes in this area and trends, patterns, methods and means of improving both the business environment and the export promotion mechanism.

The aims and objectives of the study. The purpose of the study is to study the scientific-theoretical issues of the formation of the business environment and export promotion policy, to analyze the current state and development trends of the business environment and export promotion in the Republic of Azerbaijan, to determine the priority directions of improving the business environment and export promotion.

In accordance with the purpose of the study, the following tasks were identified and fulfilled:

- the essence and characteristics of the global business environment have been investigated;
- in the context of globalization, the functions of the business environment and the factors affecting the business environment have been identified;
- the essence, purpose, objectives and specific features of the stimulation of export promotion were studied;
- the current state of the business environment in the economy was analyzed;

- the impact of the formation of a favorable business environment on sustainable economic development and ensuring the economic security of the country has been determined;
- modern trends of export activity and export promotion were analyzed;
- priorities for improving the business environment in modern conditions have been identified;
- directions of improvement of export promotion mechanism have been determined;
- the impact of the formation of a favorable business environment on export promotion is substantiated.

The research methods. In the course of the implementation of the research work, the methods of scientific abstraction, generalization, analysis and synthesis, comparative analysis were used.

The main provisions put forward for defence:

- improvement of business environment and improvement of export promotion mechanism in sectoral and territorial cuts of economy need to be investigated as macroeconomic problem;
- in the context of globalization, the characteristic features of the formation and development of the business environment in individual sectors of the economy should be determined, changing realities should be taken into account in the formation of the business environment
- particular attention should be paid to such concepts as the financial economic activity of commodity producers and the competitiveness of the industry as a whole, regardless of ownership, as an indicator of the success of the development of the business environment and export promotion;
- there has been a need to approach the improvement of the business environment from the point of view of sustainable development of the economy, and in this regard, there is a need to investigate the impact of the economic policy of the state on improving the business environment;
- to improve the business environment and export stimulation should be approached not only from economic, but also from social aspects. Therefore, the impact of improving the business

environment on increasing population employment and population income should be investigated;

- it is important to approach the process of expanding the access of products produced in the non-oil sector, including in the agricultural sector, to the foreign market in terms of increasing the competitiveness of the products produced, modernization and intensification of production;
- in the context of globalization, it is necessary to identify new forms of promotion of the export of agricultural products as an important component of the non-oil sector.

Scientific novelty of the research:

- in modern conditions, the business environment and the improvement of the export promotion mechanism have been approached as an important component of the global competitive environment
- socio-economic characteristics of the business environment have been given, factors affecting the business environment taking into account globalization processes have been classified;
- the role of institutional infrastructure systems within the organizational factors of the business environment has been determined;
- the role of the state's means of economic regulation in improving the business environment and promoting exports was determined;
- the role of budget subsidies in improving the agribusiness environment of preferential lending systems and secured prices has been substantiated; improving the access of agricultural commodity producers to economic resources, regardless of ownership, has been assessed as an important component of improving the agribusiness environment;
- close interaction between the creation of a favorable business environment in agriculture and export promotion policy in terms of the development of the non-oil sector and increasing the volume of alternative currency inputs to the state budget has been defined;
- measures to improve the mechanism of export promotion have

been characterized as an important component of the economic policy of the state;

- creation of export infrastructures plays an important role in improving export promotion in the non-oil sector
- the role of the creation of agroholdings in increasing the export of agricultural products has been determined and proposals and recommendations on the improvement of export promotion mechanisms have been put forward in order to stimulate their activities.

Theoretical and practical significance of the research. The results of the dissertation work can be used in the implementation of state programs related to ensuring the economic security of the Republic of Azerbaijan, stimulating the export of non-oil products, improving the business environment, as well as in the development of programs related to the creation of Free Economic Zones.

Approbation and application. The main content of the dissertation is reflected in 10 articles (including 1 published abroad) and 4 conference theses (including 1 published abroad), which have been published in reputable local and international journals recommended by the Higher Attestation Commission, as well as in the proceedings of international and national scientific-practical conferences. Among the conference materials, the following theses may be highlighted: “State Support for the Development of Agriculture in Azerbaijan” (Cheboksary, 2019), “Infrastructure Provision of Business Activity in Azerbaijan and Its Specific Features” (Ganja, 2022), and “The Impact of Agrarian Risks on the Development of the Business Environment in Agriculture” (Baku, 2023).

During the course of the research, the author has also published the following articles: “The Impact of Fluctuations in Market Conditions on the Development of the Business Environment in Agriculture” (Baku, 2021), “Specific Features of Entrepreneurship and Business Activity in the Agrarian Sector” (Baku, 2022), “The Role of Improving the Business Environment in Agriculture in Ensuring the Country's Food Security” (India, 2024), and “Factors Determining the Improvement of the Business Environment in the Global Value Chain” (Ganja, 2024).

The name of the organization in which the dissertation work is performed. Azerbaijan State Agrarian University.

The total volume of the dissertation with a mark with the mention of the separate volume of the structural units of the dissertation work. The structure of the dissertation consists of an Introduction, three chapters, a Conclusion, and a list of references. The total length amounts to 318748 characters, including the Introduction (13406 characters), Chapter I (103617 characters), Chapter II (82778 characters), Chapter III (82182 characters), the Conclusion (4917 characters), and the list of references (14837 characters). Excluding tables, figures, and the list of references, the total number of characters in the dissertation is 286900.

THE MAIN CONTENT OF THE DISSERTATION

In the **introductory** part of the dissertation work, the relevance of the topic and the degree of its development, object and subject, goals and objectives of the study, methods, the main provisions of the defense, the scientific novelty of the study, its theoretical and practical significance, approbation and application, the total volume of the work are commented.

The essence and characteristic features of business relations, the essence of the business environment in the first chapter of the dissertation called **“Scientific and theoretical issues of the formation of the business environment and Export Promotion Policy”**, its specific features and factors affecting it, the essence of Export Promotion Policy, specific features, place and role in stimulating exports were studied.

Modern business activity involves diversification of the economy in order to expand access to new markets. This implies the expansion of the range of products released to the production of new products, the improvement of product quality and the diversification of exports through the application of all this. Thus, a favorable business environment within the framework of the national economy serves to form the economy in order to ensure economic growth through the

rational use of all available opportunities.

The formation of a favorable business environment within the framework of microeconomics also opens up new opportunities for the realization of entrepreneurship and entrepreneurial abilities of business entities. From a macroeconomic point of view, the regulatory policy aimed at creating and supporting a favorable business environment is more stimulating. The formation of a favorable business environment in all spheres, acting as a driving factor in business and entrepreneurial activity, creates favorable conditions for accelerating economic development from a public and individual point of view. The formation of a favorable business environment involves the rational use of resources to reduce the costs associated with the production of products and the provision of services.

Political processes, epidemics etc. significantly negatively affect the development of business relations, business activity in the economy. Since 2019, the covid-19 pandemic, spreading around the world, has limited the free movement of all elements of economic potential, which has led to a decline in economic activity in all countries of the world. The most important manifestation caused by the COVID-19 pandemic is that at the same time, within the framework of the “stay at home” campaign, individuals, regional and countries should first of all ensure food security - meeting the demand for food products at the expense of domestic sources and meeting the demand for pharmaceutical products. The global economic crisis has led to a decrease in the level of incomes of the population. The coronavirus pandemic has led to the collapse of the financial and banking sector in countries around the world and has led to a decrease in the level of revenues on a global scale.

The most simple characteristic of the business environment is that it creates favorable conditions for the organization of sales of products, at the same time, mechanisms that include economic freedom are activated. In the modern conditions of globalization, the business environment has overcome its classical boundaries, the free market economy and the influence of the business environment have led to the activation of large-scale reproduction in all areas. The business environment is a set of political, economic, social and technological

manifestations that affect business activities, but which, in particular, the industry and the business entity cannot interfere with. The named manifestations can have a favorable or detrimental effect on business activities specifically on the scale of the national economy, industry and business entity. The business environment has a significant impact on economic activity, including entrepreneurial activity. In this regard, it is possible to distinguish the following types of business environment:

- classical business environment;
- adaptive business environment;
- mission business environment;
- regulated business environment.

The favorable business environment in the national economy directly depends on the accessibility of firms and companies to resources, the development of a free competitive environment, and the Prevention of monopoly. Both in theory and in practice, the business environment of this kind is called the classic business environment. The classic business environment of the company is such a desirable state of the business environment that it is possible to predict how the company can function in a free competitive environment, but the economic entity is not able to change the environment itself.

The adaptive business environment manifests itself to a greater extent in the current globalization conditions in which the post-industrial society is being formed. Adaptive business environment is more pronounced in the industries where information and communication technologies are applied. The innovation of the industry under the influence of the latest achievements of STP gives rise to a unique business environment in the national economy, which is a situation in which the business environment is constantly changing. One of the features of the adaptive business environment is a high rate of economic growth and a constant change in the tastes of consumers. An adaptive business environment is characteristic of progressive technology markets that are constantly developing, changing and improving.²

² <https://dzen.ru/a/Yt3Hwv0m-mI60xH>

Mission-driven business environment. A mission-driven business environment involves the effective use of potential opportunities by reflecting the desired state of the business environment.

The Mission business environment implies the totality of the socio-economic environment necessary for the emergence of a new idea, new trends in the market, new technology, new products and services that can change the conjuncture of the market. The Mission business environment creates an environment that can transform the economic activities of firms and companies based on new innovative ideas. The existence of objective conditions or necessity for the emergence of new types of products and services is also one of the important conditions.

The regulated business environment has its own advantages by serving the development of areas of activity that the above-mentioned species diversity of the business environment cannot stimulate. The classical business environment is more typical for areas stimulated by a free market economy than the traditional one. Adaptive and mission-driven business environment stimulates the development of innovative and creative ideas. However, there are sectors of the economy that are not able to develop on the basis of classical patterns of a free market economy. Therefore, for the development of these areas, the formation of a regulated business environment, which includes specific specific features, is of important strategic importance.

As can be seen from figure 1, the business environment performs a fairly wide and multifaceted range of functions. The functions of the business environment are also aimed at loading economic activity in the regions of the country.

The business environment is influenced by a large number of factors in modern conditions. If the harmful tendencies of these factors are not met, they can turn into high risks, threats and, finally, negative impacts on the country's economic security. It is possible to classify the factors affecting the business environment by specific signs, which is given in figure 2.

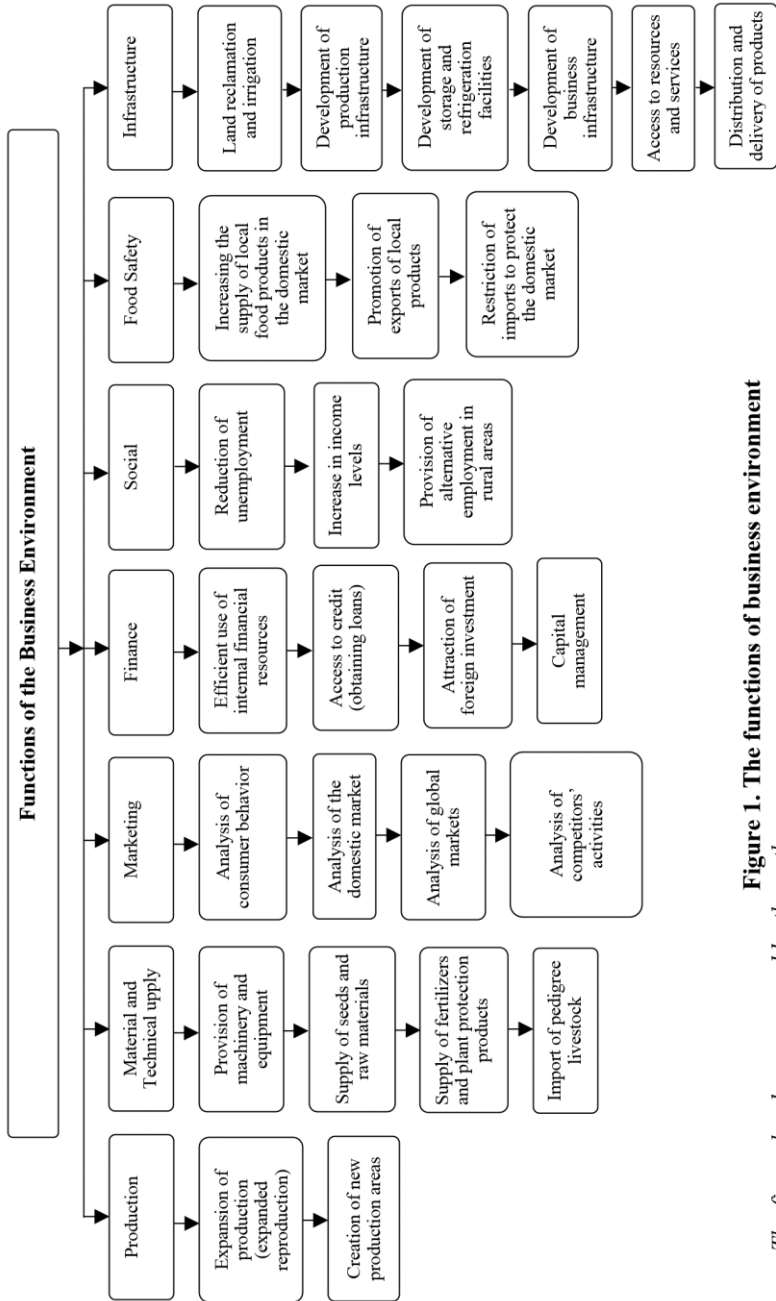


Figure 1. The functions of business environment

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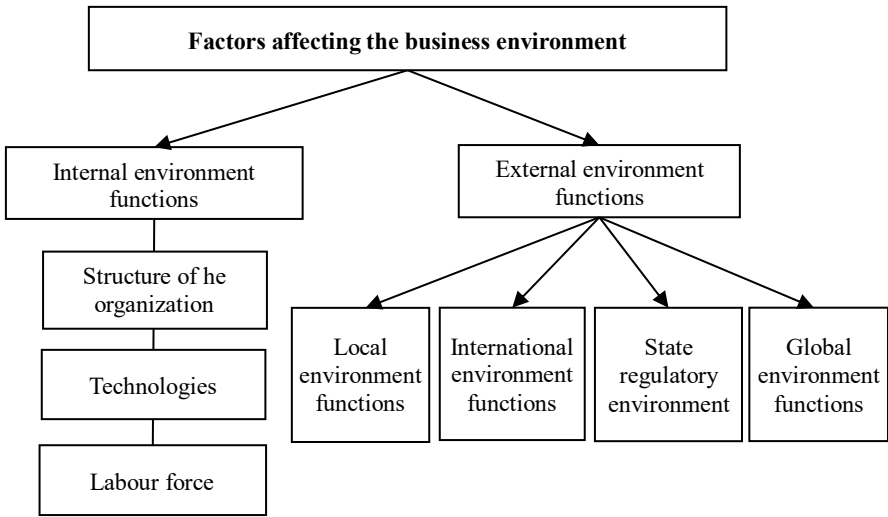


Figure 2. Classification of the factors influencing the business environment

The figure has been prepared by the author.

The classification of its external factors affecting the business environment is shown in Figure 3.

The export promotion policy is carried out depending on the sectoral structure of the economy and the dominant position of one or another sector in the structure of exports. Export promotion also depends on the level of specialization of countries, the place and role of each country in the international division of Labor. If these or other products occupy a dominant position in the structure of exports, if more monetary income is obtained in the export of that product, there is no need to implement an Export Promotion Policy for that product. Export promotion policy is usually implemented for products that have the potential capabilities of the economy, but are not recognized as a specific brand in the world market. The policy aimed at promoting exports more often serves to promote one or another product on the market, as well as to obtain revenues from the realization of alternative products in foreign markets, along with traditional ones.

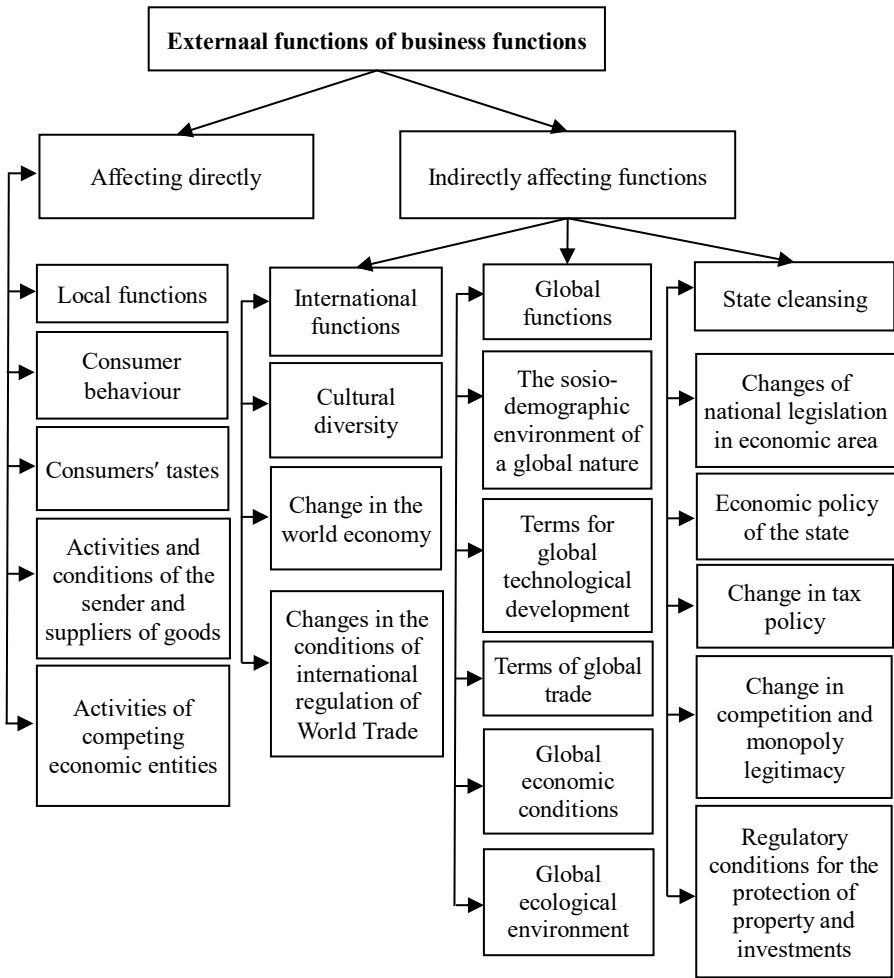


Figure 3. Classification of external factors affecting the business environment
The figure has been prepared by the author.

As is known, stimulating and restrictive means are used in foreign trade policy, especially in the regulation of exports. In the system of measures aimed at stimulating exports, export promotion is considered one of the priorities.

The processes of export promotion in agriculture are more influenced by global factors. Although globalization processes involve

the free and unhindered movement of goods, capital, labor, technologies, in other words, the support of a free competitive environment, the monopolization of the global competitive environment, which is an important component of this process, brings along. In addition, in the transition from industrial society to post-industrial society, it creates a different picture in global markets.

Chapter II of the dissertation is entitled “**Modern state and development trends of business environment and export promotion in the Republic of Azerbaijan**”. This chapter analyzes the current state of the business environment, the impact of the formation of a favorable business environment on ensuring economic development, modern trends in export activities and Export promotion.

Every year, the World Bank publishes doing business reiting, which reflects the difficulties of building and managing its own business in different countries of the world. This rating allows you to assess the level of the business environment in individual countries of the world. From the final rating, a ranking is made from 1 to 189 according to the level of favorable business conditions of all countries, and the 1st place is characterized as the highest. The high position of the country means that opening and conducting business in this country is fast, simple and safe. In 2020, New Zealand ranked 1st, Sinigapur ranked 2nd, Hongkong ranked 3rd, Denmark ranked 4th, South Korea ranked 5th, and the United States ranked 6th place.

Starting from 2024, a new project called Business Ready (B-READY) is being implemented. This project is conventionally implemented in three nominations. The first nomination covers the regulatory legal framework, the second nomination covers public services, and the third nomination covers the effectiveness of activities. In 2024, Hungary (78.2), Portugal (78.1) and Georgia (77.7) entered the top three in the first nomination of the new project called Business Ready (B-READY), and in the ranking covering the economies of 50 countries, Iraq (49.4), the West Bank-Gaza (47.5) and Timor-Leshy (46.2) closed the last three. Estonia (73,3), Singapore (70,4) and Croatia (70,2) took the top three positions in the public services nomination, and Iraq (21,4), Gambia (20,1) and Central

African Republic (18,3) closed the last three.

Singapore (87,3), Georgia (84,7) and Rwanda (81,3) took the top three in the nomination for efficiency of activity, while Timor-Leshti (44,8), Vanuatu (43,9) and Central African Republic (40,4) closed the last three.³

As noted in the previous chapter of the dissertation, the formation of a favorable business environment in many cases directly depends on the state’s economic policy. Within the framework of such policy measures, exemptions from value-added tax (VAT) on imported elite seed varieties and pedigree livestock also play an important role. The volume of the customs value of agricultural products and equipment – imported into the country during 2019-2022 and strategically important for the future development of the sector – that were exempted from VAT is presented in Table 1.

Table 1.

In 2019-2024 dynamics of VAT-exempt customs value of strategic agricultural products imported into the country (in thousand manats)

№	Product name	2020	2021	2023	2024
1	Live Cattle	46970,6	36480,5	76534	56402,5
2	Live Sheep And Goats	15193,5	11076,7	25138,8	18086,9
3	Soybeans	8200	7900	8353,2	8600
4	Sugar Beet	1200	1300	1380,1	1400
5	Earthmoving Technique	12000	13000	14062,6	15000
6	Harvesting Technique	35000	37000	40143	42000
7	Agricultural Equipment	11000	12000	13964,2	14500
8	Grain Processing Equipments	2000	2300	2757,9	3000
9	Tractors	120000	135000	151481,3	160000

Source: <https://customs.gov.az>

³ Business Ready 2024, 64c, c14,15

As can be seen from Table 1, products for rural purposes exempt from customs tax are elite seed varieties, thoroughbred cattle, plant protection equipment, the main means of production used in agriculture (tractor combine harvester, etc.), mineral fertilizers, etc. is applicable.

One of the most important elements of the formation of a favorable business environment is the provision of commodity producers with access to the capital resources market. The Entrepreneurship Development Fund plays an important role in providing agricultural commodity producers with access to capital resources. Being an important source of financing and investment in the development of the non-oil sector, the fund serves more to attract innovative technologies in modern conditions. The fund is of great importance in increasing the volume of export-oriented production by financing various projects related to the production and processing of agricultural products (Table 2).

Table 2.

Projects credited through the Entrepreneurship Development Fund

Dynamics and analysis	2020	2022	2023	2024	Compared in 2020 in 202, %
Funded projects					
Number of projects	908	2 726	3 276	5722	6.3 dəfə
Loan amount (mln. azn)	245,4	399,4	459,9	481,6	196
Loan amount (azn)	126,9	145,9	193,8	248,1	195
As well as with micro and medium entrepreneurs (mln, special weight)	108,8 (85,7%)	143,4 (98,3%)	176,6 (91,1%)	231,8 (93,4%)	2.1 dəfə
The ratio of loans to the total cost of projects (%)	51,7	36,5	42,1	51,5	
Medium loan amount (mln.azn)	0,140	0,054	0,059	0,043	30
Average loan term	6,5	4,2	3,8	3,3	50.1

Source: Entrepreneurship Development Fund report for 2024

As can be seen from Table 2, compared to 2020, the number of projects financed by the Entrepreneurship Development Fund in 2024 increased 6.3 times and amounted to 5722 units. If in 2020 the cost of funded projects amounted to azn 245.4 million, then in 2024 this figure increased by 96% to AZN 481.6 million. The amount of loans granted to projects financed by the Entrepreneurship Development Fund increased by 95% and amounted to 248.1 million. The share of loans to micro, small and medium entrepreneurs in the value of projects financed by the Entrepreneurship Development Fund was 93.4%. The distribution of loans issued by the Entrepreneurship Development Fund in 2024 by sectors of the economy is shown in Figure 4.

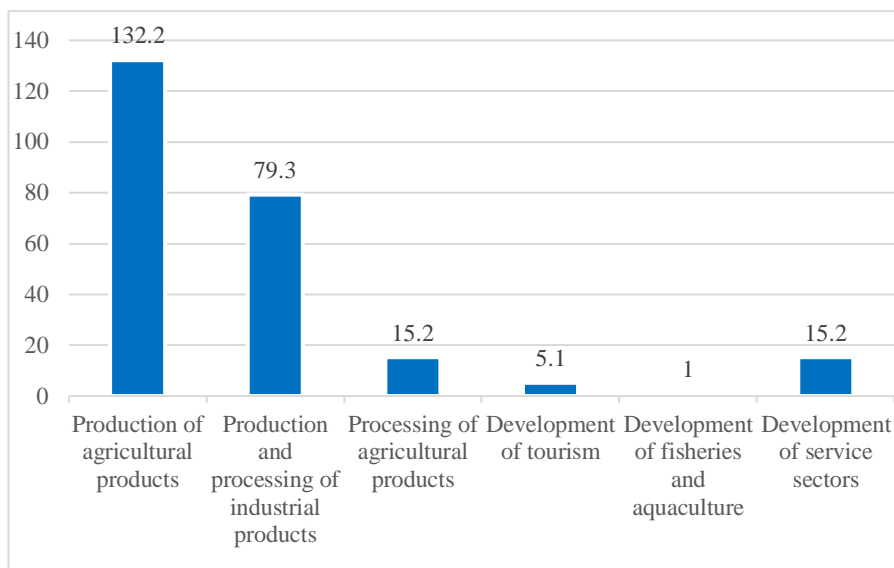


Figure 4. Distribution of loans issued by the Entrepreneurship Development Fund by sectors of the economy (mln. manat)

Source: Norwegian Ministry of Trade, Industry and Fisheries, "Strategy for Export and internationalization" 2017, page 22

As can be seen from Figure 4, in 2024, AZN 132.2 million of loans issued by the Entrepreneurship Development Fund were directed to the production of agricultural products, AZN 79.3 million to the

production and processing of industrial products, AZN 15.2 million to the processing of agricultural products, AZN 5.1 million to the development of Tourism, AZN 1 million to the development This shows that the production of agricultural products, production and processing of industrial products are more supported through soft loans provided by the Entrepreneurship Development Fund. The distribution of preferential loans by types provided by the Entrepreneurship Development Fund is shown in Figure 5.

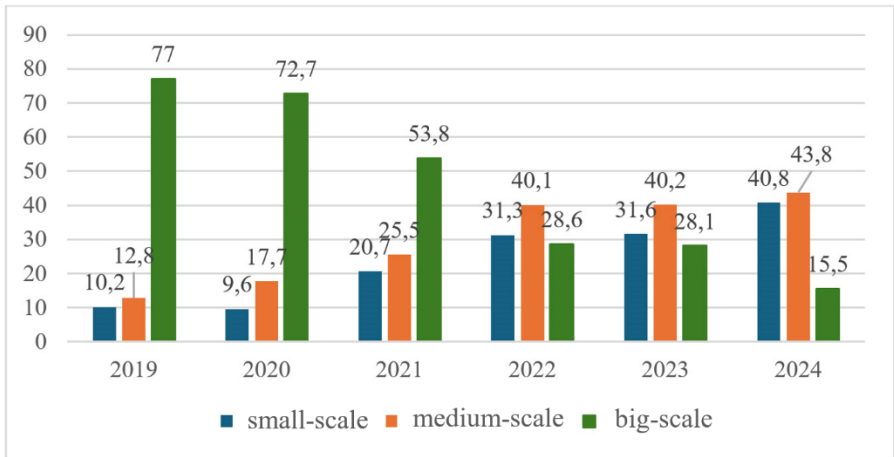


Figure 5. Distribution of concessional loans by types (share,%)

Source: Norwegian Ministry of Trade, Industry and Fisheries, " Strategy for Export and internationalization " 2017, page 22

As can be seen from Figure 5, if in 2019 10.2% of soft loans issued by the Entrepreneurship Development Fund accounted for small loans, 12.8% for medium loans and 77% for medium loans, then in 2024 this indicator was 40.8; 43.8; 15.5%, respectively. In other words, in 2024, there is a relatively proportional ratio between the interest rates of small, medium and large loans. In the structure of soft loans issued by the Entrepreneurship Development Fund in 2021-2024, the share of small and medium-sized loans tends to increase. Since 2019, the share of large-scale loans in the structure of soft loans issued by the Entrepreneurship Development Fund has begun to

decrease. This shows that the trends of support for the development of small and medium-sized enterprises in the economic policy of the state have been higher.

The assessment of Azerbaijan's position on the indicator of obtaining loans by country in the Doing-Business Report is shown in Table 3.

Table 3.

Rating of obtaining loans by country

Country	Credit rating	Level of protection of credit transactions	Credit information index
Azerbaijan	1	12	8
New Zealand	1	12	8
Australia	4	11	8
Jordan	4	11	8
Georgia	15	9	8
Canada	15	9	8
Kyrgyzstan	15	9	8
Latvia	15	9	8
Kazakhstan	25	8	8
Russia	25	9	7

Source: *Doing Business-2020 World Bank Group: <https://www.worldbank.org>*

The index of protection of credit transactions varies from 0 to 12. The high index indicates the continuous implementation of reforms in this area.

Since improving the business environment involves a complex process, a systematic approach to this process would be more correct. Thus, the business environment is also directly related to improving the investment climate. For this, it is important to increase investment activity. It is natural, and this process itself reflects a complex and multifaceted process. Thus, the specific features of the economy and the inability of the industry to respond effectively and continuously to risks lead to a weakening of investment activity of different sectoral and territorial cuts. The dynamics of investment in the economy in the Republic of Azerbaijan is shown in figure 6.

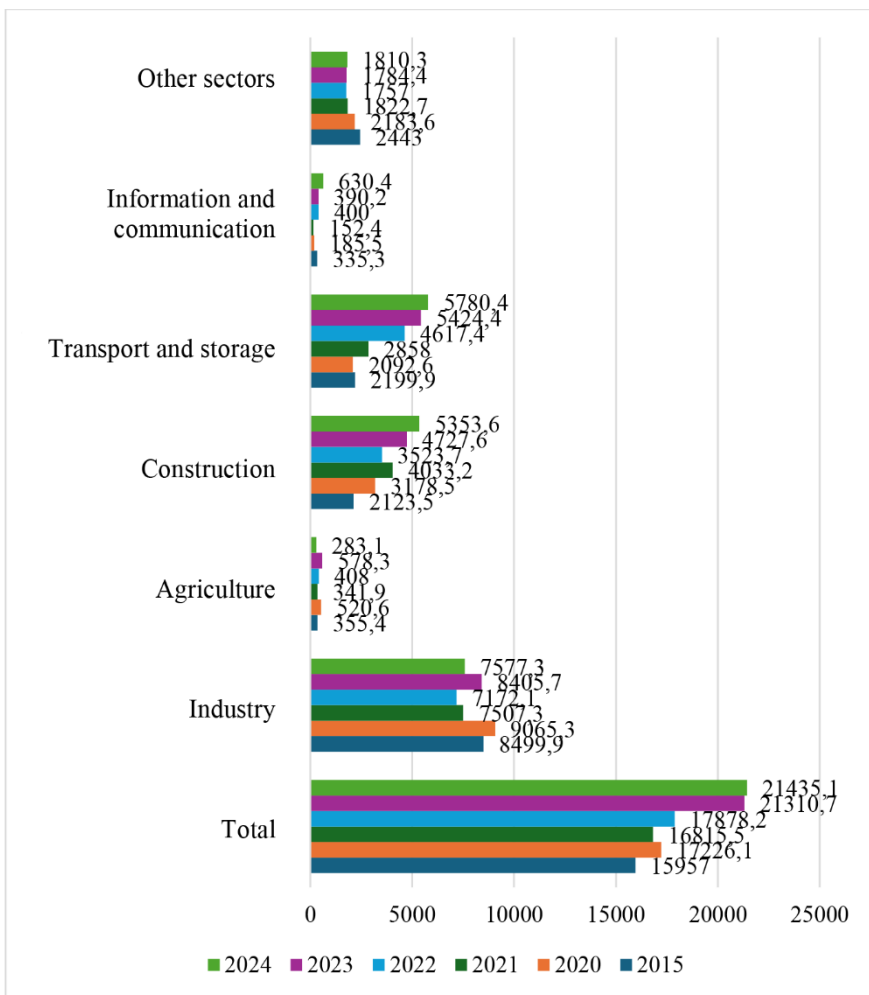


Figure 6. Dynamics of investments in sectors of economy in the Republic of Azerbaijan, million manats

Source: *Agriculture of Azerbaijan, statistical Journal. Baku, 2023, 709 P., 57 p.*

As can be seen from figure 6, in 2024, 21435.1 million manats of investments were invested in the country's economy, which compared to 2015 is 34.3% more. In the reporting year, 283.1 million manats were invested in agriculture, 7577.3 million manats in industry, 5353.6 million manats in construction, 5780.4 million manats in transport and

warehousing, 630.4 million manats in the information and communication sector, and 1810.3 million manats in other sectors. Investment growth in the compared period was 16.3,8% in agriculture, 2.5 times in construction, 2.6 times in transport and warehousing, and 88% in the information and communications sector. In the Compared period, the volume of investments in agriculture decreased by 20.4%, and the volume of investments in industry-by 10.9%. One of the main reasons for this decline is more investment in construction works in Karabakh.

Chapter III of the dissertation work is called **“Priority directions of improving the business environment and promoting exports”**. This chapter defines the directions of improving the business environment in modern conditions, improving the mechanism for promoting the export of agricultural products, the impact of the formation of a favorable business environment on promoting exports. This chapter notes that measures aimed at improving the business environment should be one of the most important goals of the state's economic policy in modern conditions. In line with these goals, the basic conditions for compensation of losses of commodity producers, which are fundamental for their work with income, should be created. It should be borne in mind that small and medium-sized commodity producers in particular are in a number of cases:

- meets natural family needs;
- ending farm achievements at a loss;
- sums up economic activity with a level of profitability of 20-30%.

Especially in the global competitive environment, the profitability of 20-30% does not allow to realize an efficient extensive reproduction process. Processing industry enterprises and service organizations, intermediary institutions are able to bring the level of profitability to the limits of 150-200%. This circumstance can be explained by the fact that in most cases commodity producers do not have an optimal scale of production. Therefore, one of the priorities of improving the business environment in modern conditions is to stimulate the development of cooperation relations. Priority directions aimed at improving the business environment should be supported by economic means of cooperatives (subsidies of a differential nature, targeted

investments in preferential lending).

One of the priorities of improving the business environment would be the creation of a large number of large and medium-sized processing enterprises located close to commodity producers in accordance with the specialization directions of the regions. The solution of these issues would create favorable conditions for preventing monopoly of processing enterprises.

One of the priorities of improving a favorable business environment would be to increase the competitiveness of products produced by commodity producers and processing industry enterprises in domestic and foreign markets. Especially in the global competitive environment, the above-mentioned issue is of greater relevance. In a global competitive environment, competitive price and non-price are conditioned by competitiveness. Competitiveness in terms of price comes from the fact that the product is affordable for the manufacturer. In developing countries, where populations with low purchasing power live, it is more common for products and services to be competitive in terms of prices. This concept is not so valid for developed countries where the purchasing power of the population is high. An important role in the structure of foreign trade activities is played by the export of agricultural and food products to foreign markets, as well as the import of products from one or another country to meet the needs of the country's population. The process of introducing agricultural restrictions to foreign markets constitutes an important component of exports, at the same time, it entails the receipt of funds to the state budget of countries. These or other countries, in particular, play a priority role in the export of agricultural products and carry out their activities based on the comparative advantages of these products. Thus, the high productivity of agricultural products produced, as well as the establishment of modern agrarian production is considered one of the important factors in increasing the level of exports. As a rule, countries carrying out effective export activities produce competitive agricultural and food products, which creates favorable conditions for more flexible realization of these products in the world market. Trade and business activities are formed, as a rule, from internal and external trade relations. Domestic trade activities are

regulated through the national trade legislation, national economic legislation of each country. And in the process of international trade, these processes are already limited not only by internal legislative acts of any country, but also by legal normative acts regulating international trade relations. However, in particular, countries with extensive experience in expanding the export of agricultural products have high professionalism and International business ethics in the implementation of trade operations, which plays an important role in the realization of direct contacts between suppliers and customers. Improving the efficiency of international trade relations is possible only if the number of individual intermediaries is reduced, that is, the countries carry out direct trade relations with each other.

In modern conditions, the realization of international trade relations and the increase in the volume of exports directly depend both on the reduction of the number of intermediaries and on the implementation of measures aimed at expanding the international market share of countries. In modern conditions, new factors are emerging that contribute to increasing the export volume of agricultural products. These factors are primarily closely related to the globalization of the world economy. When approaching the problem from this point of view, it is possible to evaluate the factors contributing to the increase in the export volume of agricultural products as factors of the internal and external environment. The factors of the internal environment that determine the increase in the export of agricultural products are closely related, first of all, to the modernization of the agricultural and processing industries, increasing their competitiveness, increasing product quality, and are closely related to the low cost of production, low cost. In addition, in modern conditions, there are global environmental factors contributing to the increase in the export volume of agricultural products, which should be noted that measures aimed at improving the export promotion mechanism of producers globally should also take into account the international division of labor and the existing conditions of specialization in the World Food Market. Taking into account all this, it would be more expedient, in our opinion, to take into account the following external environmental factors within the framework of measures aimed at improving the

export promotion mechanism:

- taking into account changes in the conjuncture of global markets, as well as the conditions of the international division of labor and the opportunities for specialization of agricultural and food producers around the world;

- study of the current price conditions of individual food products on the world market, as well as the level of demand and supply for this or that product from the world market;

- to examine the competitive conditions of countries producing agricultural raw materials in the world, as well as countries exporting processing products;

- study of existing experience in stimulating local producers of agricultural and processed products in countries specializing in the export of agricultural and food products in the world;

- study of experience in the field of customs, tariff and non-tariff regulation conditions within the framework of international marketing events;

- to study the current situation of countries importing agricultural and food products in the world and to study the needs of consumers.

CONCLUSION

1. Studies have shown that the development of business activity, which is an important component of a market economy, directly depends on the formation of a business environment, the creation of a favorable business and investment environment. Business activity not only involves the production of products and the provision of services in accordance with the tastes of consumers, but also involves the continuous profit generation of the owner and manufacturer and the realization of entrepreneurial activities. Since business activity is able to respond effectively to changes in the domestic and world markets, the global competitive environment affects business activities, as well as the business environment.

2. The business environment, which includes the totality of business relations, is also closely related to the development of areas that have interaction. From this point of view, one of the most

important success criteria for improving the business environment can be considered the provision of economic entities with free access to the market of material resources.

3. It would be more correct to approach the process of improving the business environment from a global perspective. In this regard, the classical definition of the process related to the business environment is hardly justified. Thus, the classical essence of the concept of business as the process of production of more products, the realization of products with favorable conditions, in the context of globalization, is manifested from a broader point of view. More precisely, the classical approach is already almost reduced to some extent its role and significance from a socio-economic, even political point of view. Therefore, in the context of globalization, the improvement of the business environment plays an important role in protecting the strategic interests not only of rural areas, but also of the urban population and the country as a whole, as all stages of business activity are envisaged from manufacturers to consumers.

4. The provision of subsidies to commodity producers plays an important role in improving the business environment. When approaching the problem from the point of view of improving the business environment, it can be considered that in subsidies to commodity producers, it would be more expedient, in our opinion, to put the factor of intensification and modernization of production at the forefront.

5. Improving the business environment directly serves to ensure the economic security of the country. When approaching the process from the point of view of goal and vehicle dependence, it can be considered that improving the business environment plays an important role in eliminating global threats in ensuring economic security. By improving the business environment, it may be possible to eliminate the dependence of the domestic market on import channels.

6. In terms of sustainable development of the economy and ensuring economic security, as well as increasing the volume of exports, the business environment performs specific functions, which can be evaluated in social, economic, political, organizational, institutional aspects. In addition, logistics, marketing and other

functions are characterized as important functions performed by agribusiness in the context of globalization.

7. In the context of globalization, global threats to the business environment in the agrarian sector are becoming more widespread. Global threats include, first of all, an increase in the share of import channels in the domestic market, a decrease in the economic sustainability of commodity producers, insufficient profitability of economic and financial activities, as well as an increase in the manifestations of dumping into domestic markets, a decrease in the business attractiveness of the agrarian sector, etc.

8. Improving the business environment should be carried out in parallel with the promotion of exports. Export promotion, being an important component of the state's foreign policy, is of an urgent nature in developing countries, including those where oil production and export predominate. The Export Promotion Policy provides for the export of other local products to global markets, which is of greater importance in terms of the development of the non-oil sector and the stimulation of alternative exports.

9. Export promotion, being an important component of export stimulation, involves the creation of the necessary qualitative changes in the structure of foreign economic activity.

10. The experience of the countries of the world shows that in the context of globalization, the process of reimbursement of funds to local exporters is of particular importance in the mechanism of export promotion. This trend can also be classified as a value form of export promotion. Payments to exporters play an important role in stimulating exports and directly depend on the capabilities of the state budget. Of course, the state budget revenues of the developed countries of the world are higher, so they invest more in the export of agricultural and food products. For example, in the structure of budget expenditures allocated to agriculture in the United States, funds directed to support agricultural and commodity producers and exporters account for 6% of the total funds.

11. In order to stimulate export promotion, special attention should be paid to ensuring the possibility of equal use of the credit resource market by commodity producers. In our opinion, accessibility in terms

of credit resources should be ensured, which can lead to the fact that commodity producers do not face the problem of financial hunger.

List of published scientific works on the topic of the dissertation work:

1. Asgarov R. A. State support for the development of agriculture in Azerbaijan // Cheboksary: Increasing the economic efficiency of the modern agro–industrial complex theory, methodology and practice. Materials of the All-Russian Scientific and Practical Conference with international participation dedicated to the 90th anniversary of the birth of Professor Stanislav Romanovich Malyutin, Doctor of Economics, Honored Scientist of the Russian Federation, Honored Worker of Higher Education of the Chuvash ASSR, 2019, 28-29 oktyabr, pp.118-121.

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9. Asgarov R.A. The role of improving the business environment in agriculture in ensuring the country's food security // – India the Scientific Temper, 2024, Vol 15 (2), – pp. 2161-2168.

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14. Asgarov R.A. Factors contributing to the improvement of the business environment in the global value chain // - Ganja: scientific works of ASAU, 2024, № 4, – pp. 173-185.



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