

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**DIRECTIONS FOR IMPROVING THE BUSINESS  
ENVIRONMENT WITHIN THE FRAMEWORK OF THE  
STRATEGIC ROAD MAP FOR ENTREPRENEURSHIP  
DEVELOPMENT**

Specialization: 5308.01 – "General economy"

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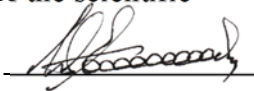


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## GENERAL CHARACTERISTICS OF THE RESEARCH

**The actuality and the degree of problem development of the research.** In a situation where global problems are increasing, the improvement of the world economic processes and the existing mechanisms of action, adaptation to the transformations taking place are important conditions. During the last 10-15 years, the world economy, the main directions of activity, especially the business environment have undergone serious changes. The global financial crisis, which began in late 2008, had a rather negative impact on the business environment, reducing the intensity of financial resources and investment flows. The difficulty of access to financial resources, the emergence of restrictions on the attraction of investments have created problems for business development in a certain sense. The negative consequences of this global financial crisis have not disappeared, another global problem - the Covid-19 coronavirus pandemic has paralyzed the world economy and, first of all, the business environment. 100 million jobs have been cut, mandatory restrictions have been applied, the volume of production and exports has decreased, foreign economic relations have become difficult, business development projects have been postponed or completely abandoned. Business has faced heavy losses, and now the work towards the postulates and goals of the post-pandemic period in the world is more urgent. In other words, improvement of the business environment in the post-pandemic period needs to be taken to a new stage, the recession that occurred in recent years should be prevented, and action strategies should be improved or renewed in various directions. In such conditions, the business environment created and its adequacy are of strategic importance. So, it is very important that the business environment is favorable for entrepreneurs and, at the same time, potential investors, and in this case it is possible to achieve higher results.

After regaining its independence, Azerbaijan has set as a strategic goal the improvement of the national economic development model, the development of this model based on the conditions of the market economy based on the resource provision of our country. Within the

framework of the "Contract of the Century" signed on September 20, 1994, the implementation of the oil strategy and as a result of this, purposeful reforms in all areas of the economy, creation of the necessary conditions for the development of market subjects, and the formation of a state policy that meets the national interests for the development of the business environment have been ensured.

Relevant reforms, including institutional and structural reforms, have been carried out in the management system, and measures have been taken to eliminate obstacles that slow down the improvement of the business environment. In order to prevent unnecessary interference with business entities, the number of inspections has been reduced to a minimum, and in most areas, they have been stopped. Radical changes in the activities of tax and customs bodies have been ensured, official-entrepreneur relations have been raised to a new stage, official-entrepreneur contacts have been completely reduced, the level of transparency of services provided by state bodies has been increased, most of them have been electronic, and thus it has been possible to stimulate the development of entrepreneurship. The business environment has become more liberal and the opportunities for maneuver have increased, state support mechanisms for stimulating entrepreneurs have been renewed and become operational.

The Great Leader Heydar Aliyev attached special importance to the development of entrepreneurship and the improvement of the business environment in the country. The main approach was related to the creation of a healthy competitive environment and efficient organization of entrepreneurial activity in the market economy. Heydar Aliyev noted that: *"The rise of the economy and the social sphere in Azerbaijan depends on the development of the private sector."* The great leader also believed that: *"The market economy is competition. You should think every day so as not to lose the market"*.<sup>1</sup> During the past period, these approaches and ideas of the great leader have completely established themselves and have become the basis of the state policy on the development of entrepreneurship in our country. President Ilham Aliyev, a worthy

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<sup>1</sup> <http://anl.az/el/alf7/237474.pdf>.

follower of the great leader, attaches special importance to taking continuous measures related to the development of entrepreneurship and improving the state policy in this regard. External interference in the activities of entrepreneurs has been minimized and a fertile business environment has been created in the country. According to Ilham Aliyev, *"the development of our country depends on the development of entrepreneurship"*<sup>2</sup>. While agreeing with this opinion, we would like to note that the development of entrepreneurship and ensuring the attractiveness of the business environment are characterized as the main factors in reaching the level of countries with the strongest economies in the world.

In order to increase the role of small and medium-sized business entities in the development of promising areas of the national economy, the Strategic Roadmap for the production of consumer goods at the level of small and medium-sized enterprises in AR was approved by the decree of the President of the country dated December 6, 2016, and as a result of the implementation of this strategic document in the following years, the same it was possible to increase the activity of subjects. At the same time, the Small and Medium Business Development Agency was established by the decree of the President of the Republic of Azerbaijan dated December 28, 2017.

By the order of the President of the country dated August 27, 2017, the "Regulation on the Commission on Business Environment and International Ratings" was approved and the improvement of the business environment and the implementation of regulatory measures were ensured. It can be noted that continuous measures have been taken to improve the business environment. During 2021, systematic work was carried out with international organizations and agencies determining international ratings, 585 measures were implemented during the year with the joint participation of 35 state institutions, continuous measures were implemented in the direction of improving the legal framework and electronic services, and improving the business environment. As a result, Azerbaijan's competitiveness at the international level has increased, first of all, its position in

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<sup>2</sup> [http://ask.org.az/wp-content/uploads/2018/06/biznes\\_heyati\\_20small.pdf](http://ask.org.az/wp-content/uploads/2018/06/biznes_heyati_20small.pdf).

international rankings has been strengthened in the direction of improving the business environment. According to the "Economic Freedom Index 2021" report, Azerbaijan has moved up 6 places compared to 2020 and ranked 38<sup>th</sup> among 178 countries.

After the realization of the Great Karabakh Victory in the war that started on September 27, 2020, new realities have emerged in our country in all directions, including in the regions, and modern challenges have emerged in the direction of improving the business environment. Azerbaijan 2030: National Priorities for socio-economic development were adopted by the decree of the President of the country dated February 2, 2021, and business entities have serious responsibilities in the implementation of these priorities. In this strategic document, it is noted that the economic efficiency of business promotion mechanisms should be increased, the efficient regulation of investments should be focused on by creating a competitive environment for foreign investors, the level of transparency should be increased, and the groundwork should be created for state companies to operate on the basis of commercial principles. We believe that the improvement of the business environment and the creation of an activity space that allows attracting investments are important conditions for the implementation of those tasks<sup>3</sup>. It should be noted that in order to realize the national priorities until 2030, extensive measures are being implemented within the framework of the "2022-2026 socio-economic development strategy of the Republic of Azerbaijan" approved by the order of the President of the country dated July 22, 2022<sup>4</sup>. The goal is to raise the level of socio-economic development in the country to a new stage due to the intensification of these processes. In these processes, the role of entrepreneurship is given serious importance, and effective mechanisms are planned to increase the attractiveness of the business environment in the country.

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<sup>3</sup>Azerbaijan 2030: National Priorities for socio-economic development. / – Approved by the Decree of the President of the Republic of Azerbaijan dated February 2, 2021.

<sup>4</sup>Socio-economic development strategy of the Republic of Azerbaijan in 2022-2026. It was approved by the decree of the President of the Republic of Azerbaijan dated July 22, 2022.

In addition, with the decree of the President of the Republic of Azerbaijan dated July 7, 2021, the issues of economic zoning have been improved in our country, and it is a matter of pride that Karabakh and East Zangezur economic regions were established in the territories freed from occupation. In our opinion, in the near, medium and long term, for many years, the implementation of construction and revitalization projects in these strategic economic regions, the development of production infrastructure, the creation of competitive enterprises based on "smart" and high technologies, and the faster development of traditional and new economic sectors for this region creation of a favorable business environment will have a decisive role in its processes.

All of these points indicate the relevance of the topic of the dissertation in general and the importance of fundamental research in the direction of improving the business environment.

We would like to note about the degree of development of the topic of the dissertation that, based on the tasks arising from the goals of the strategic road map, the problems of improving the business environment, increasing the efficiency of activities in this field, applying high technologies and studying the characteristics of the problems, considering theoretical and methodological issues, etc. There are scientific works of researchers-scientists of our country and foreign countries on

Academician Z.A.Samadzade, A.Kh.Nuriyev, A.F.Musayev, A.J.Muradov, E.A.Guliyev, N.M.Imanov, F.F.Mustafayev, I.M.Abbasov, I.H.Aliyev, T.H.Huseynov, S.M.Gasimov, T.N.Aliyev, A.Sh.Shakaraliyev, R.A.Balayev, M.M.Huseynov, Kh.M.Huseynova, A.G.Alirzayev, I.H.Ibrahimov, R.T.Hasanov, A.B.Abbasov, E.Y.Mammadov, R.Z.Huseyn, A.D.Huseynova, V.A.Gasimli, A.M.Asadov, E.A.Ibrahimov and others are the authors of research works in the direction of improving existing approaches in these directions, improving the business environment and solving efficiency problems of business subjects.

The scientific works of foreign researchers-scientists, including prominent representatives of the classical school of economics, included studies related to the study of business processes and the

investigation of problems that hinder the improvement of the business environment. Of these, the scientific works of A.Smith, A.Marshall, D.Ricardo, J.S.Mill, J.B.Say, J.A.Shumpeter, P.A.Samuelson, V.D.Nordhaus, P.R.Krugman, M.E.Porter, J.E.Stiglits, F.N.Nayt, A.I.Ageyev, A.N.Asaul, V.Y.Burov, Y.B.Baghiyev, O.A.Pisarenko and others theoretical-methodological and practical issues of increasing its attractiveness, improving the business environment for business subjects and potential investors were studied.

In addition to these, let's note that under the influence of global transformations in recent decades and in a situation where global problems are increasing, there is a need for the maximum improvement of the business environment and the development of new mechanisms. So, more efficient mechanisms and multifunctional, favorable business environment are required. It is possible to note that there is a need for fundamental research and purposeful research in these directions.

**The object and subject of the research.** The object of the study The economic processes taking place in Azerbaijan for the purpose of improving the business environment are the business subjects who are the participants of these processes. The subject of the study and the direction of improvement of the business environment consists of regulation and improvement of related activity mechanisms.

**Research goals and objectives.** The purpose of the study is to study the current state of the business environment of entrepreneurship based on modern socio-economic principles, research and determine directions for improvement. For this purpose, the following tasks have been set according to the structure of the dissertation:

- research and generalization of theoretical aspects of business environment improvement;
- determination of more effective methodological approaches to solving the problems of improving the business environment in modern conditions;
- studying and summarizing the world experience on improving the business environment, based on the global context;
- analyzing and evaluating the business environment in Azerbaijan under modern challenges;



- Research of state support measures in the direction of stimulating the business environment in Azerbaijan and evaluation of their efficiency;
- considering the improvement of the legislative framework for improving the business environment;
- investigating the possibilities of expanding the innovation infrastructure in order to improve the business environment in a time when the application of new technologies is expanding;
- In the conditions of new realities in Azerbaijan, researching the prospects of improving the business environment envisaged in the strategic road map and determining the ways.

**Research methods.** During the research, a number of economic methods that are widespread in economic science were used - analysis, synthesis, comparison, generalization, as well as a complex and systematic approach. From scientific works on the role and importance and priorities of improving the business environment of Azerbaijani and foreign researchers in the study of theoretical approaches and the determination of methodological features, their generalization, and at the same time, the application of methods and methods that can be effective for the modern era, the main directions of the state's policy in this field, the existing normative - legal documents, decrees and orders of the President of the country, decisions of the Cabinet of Ministers of the Republic of Azerbaijan, methodological materials of scientific - research institutes and centers were used.

**The main provisions defended are:**

- arising from global transformations, there is a need to review and generalize theoretical approaches to improving the business environment in accordance with new requirements;
- in the current period, there is a need to define more superior methodological styles for improving the business environment;
- it is important to study and assimilate the experience of countries with positive experience in solving the problems of improving the business environment;
- Stimulating the business environment and increasing the attractiveness of the investment environment in Azerbaijan,

there is a need for models and mechanisms for organizing more efficient business processes;

- It would be useful to assess the state support mechanisms for facilitating access to financial resources of business subjects in Azerbaijan and improving the business environment in connection with them;
- taking into account the new realities, there is a need to improve the existing legal framework of the business environment and adopt new laws;
- in the post-pandemic period and in the processes of revitalization of our territories freed from occupation, there is a need to form the most efficient business environment;
- in the context of modern challenges and the Strategic Road Map, it is required to define more promising directions of action for improving and improving the business environment due to innovative approaches.

**The scientific novelty of the research** consists of the following:

- in the context of global transformations and new challenges, conceptual modern scientific-theoretical views on the problems of improving the business environment, developing and applying more efficient action mechanisms, increasing the attractiveness of the business environment were formed, and approaches and principles were defined;
- in order to improve and model the existing mechanisms of the business environment by approaching modern requirements, methodological features were researched and determined in order to use more superior and efficient elements in this direction, the characteristics of entrepreneurship, which is one of the main elements of the business environment, the functions it performs in the diversification of the economy, taking into account the socio-economic importance of entrepreneurial activity the definition is given and justified by the author;
- the problems of improving and stimulating the business environment in Azerbaijan were studied and an evaluation mechanism was developed, including the financial guarantee of management elements and support programs, in order to

increase the efficiency of state support tools and regulatory measures in this field;

- In the modern era, the characteristics of the development of entrepreneurship in Azerbaijan, the classification of the efficiency criteria of state support with its widespread functions in various fields of the economy was developed, the efficiency criteria were systemized by approaching the improvement of the business environment from the quantitative and qualitative indicators and characteristics of the state support mechanisms, the evaluation method, the basis of economic, budget and social efficiency criteria elements and components were investigated;
- the importance of taking regulatory measures and improving the legislative framework in solving the problems of improving the business environment is justified, the positive effects that can be obtained from the activity of innovation infrastructures for improving the business environment are revealed, and the high technologies and fundamental innovation structures required in the current conditions are concentrated in three main groups;
- In order to increase the attractiveness of the business environment in Azerbaijan, it was proposed to create a "digital portal of business subjects in the Republic of Azerbaijan";
- in order to intensify the development of entrepreneurship and increase its efficiency, it was recommended the importance of creating the "Small, Medium Business Enterprises Cluster Company" - "SME Cluster Company" in order to improve the attractiveness of the business environment;
- a business environment that is of particular importance in the National Priorities defined until 2030 a block diagram of directions for improvement was prepared.

**Theoretical and practical significance of research.** It is possible to use the scientific results obtained in the research work and the given proposals in the organization of measures to improve the business environment, in the formulation of conceptual approaches for increasing the attractiveness of the business environment, in the

improvement and development of the business environment by the state, in the preparation of targeted programs and strategies. Along with these, the scientific-theoretical propositions included in the research can be used in the in the preparation of lectures and textbooks.

**Approval and application.** The topic of the dissertation work was discussed and appreciated in the scientific seminars, which are constantly active in modern times, in accordance with the general trend of scientific research works at Ganja State University.

11 scientific works of the applicant on the topic of the dissertation work, including 8 articles and 3 theses, of which 1 article and 2 theses were published abroad in prestigious local and foreign journals recommended by the Higher Attestation Commission. On the subject, the author's "Modern trends and perspectives of entrepreneurship development in the regions" (Sumgait, 2021), "Strengthening of the innovative structure of the enterprise in the improvement of the business environment within the framework of the strategic road map" (Moscow, 2022) and "Strengthening of the business environment in the context of increasing the efficiency of the enterprise in modern conditions" (Moscow, 2022) were published.

In addition, the applicant's "Prospects for improving the business environment within the framework of the strategic road map for the development of entrepreneurship" (Baku, 2019), "Actual problems and directions of improving the business environment in the conditions of global economic challenges" (Baku, 2019), "The strategic importance of improving the business environment in the development of small and medium enterprises" (Baku, 2019), "Strategic aspects of approaches to the problems of improving the business environment in the direction of entrepreneurship developmen" (Baku, 2019), "Theoretical and methodological issues of improving the business environment in the development of entrepreneurship" (Baku, 2020), " Evaluation of the effectiveness of state support mechanisms in stimulating business in the development of entrepreneurship in Azerbaijan" (Baku, 2020), "Directions of digitization of the business environment in the processes of

entrepreneurship development according to the strategic road map” (Baku, 2021), "Problems and prospects of improving the business environment in the development of entrepreneurship in the context of a strategic road map" (Moscow, 2022).

**The name of the institution where the dissertation work was performed.** Ganja State University.

**The total volume of the dissertation is indicated by noting the volume of the structural sections of the dissertation separately.** The total volume of the introduction (19274 characters), chapter I (87526 characters), chapter II (46777 characters), chapter III (73649 characters), conclusion (11915 characters) and references list (25203 characters) is 279618 characters. The mark number of the dissertation is 239141 marks, excluding tables, pictures and the list of references.

## THE MAIN CONTENT OF THE RESEARCH

**The introduction** of the research, the relevance and degree of development of the topic, the object and subject of the research, goals and objectives, methods, main propositions defended, scientific novelty, theoretical and practical significance, application of the research and etc. are given.

**In the first chapter of the dissertation** entitled "**Theoretical-methodological foundations of improving the business environment**", the theoretical foundations of improving the business environment, the characteristics of methodological approaches to the problems of improving the business environment, and the world experience of improving the business environment were investigated.

In the conditions of globalization of modern economic relations, the study of the theoretical and methodological bases of improving the business environment is of particular importance. This is primarily explained by the importance of entrepreneurship as a special factor of production, which is one of the main elements of the business environment. Secondly, the increase in interest in the investigation of problems related to entrepreneurial activity is related to the establishment of new relations between the two parties involved in the

distribution of limited resources - the entrepreneur and the state. And finally, thirdly, in connection with the need to eliminate the lag in the development of economic, scientific, technical, production, financial, institutional, social and other fields, deepening of knowledge about the phenomenon of entrepreneurship is required.

In the process of competitive interaction of market economy subjects, business subjects try to create the best working conditions for themselves and gain competitive advantages. In this sense, according to us, the main features of business as a management method can be highlighted as follows: 1) Economic freedom of business subjects; 2) Economic responsibility for decisions made, results and associated risk; 3) Trying to achieve commercial success and increase profits. This is the main goal arising from the nature of business entities and 4) Innovation, creative search, note that this feature is more important.

An attractive business environment is an additional advantage for entrepreneurs. According to the English economist R.Cantillon, "*All entrepreneurs are divided into entrepreneurs who can start their business by investing capital and entrepreneurs who do not need capital for their activities, that is, entrepreneurs who have their own labor*"<sup>5</sup>. D.Ricardo was the first person who formulated the problem of social responsibility of business long before his time. In his opinion: "*Entrepreneurial activity should not be managed only by increasing profits*"<sup>6</sup>. According to J.Schumpeter, the entrepreneur, the main subject of the business environment, is a person who has the ability to develop new products and operates in conditions of uncertainty . He believed that: "*The incomparable role played by the business environment in the economy and society as a whole is the desire to operate in conditions of economic uncertainty*"<sup>7</sup>. Professors

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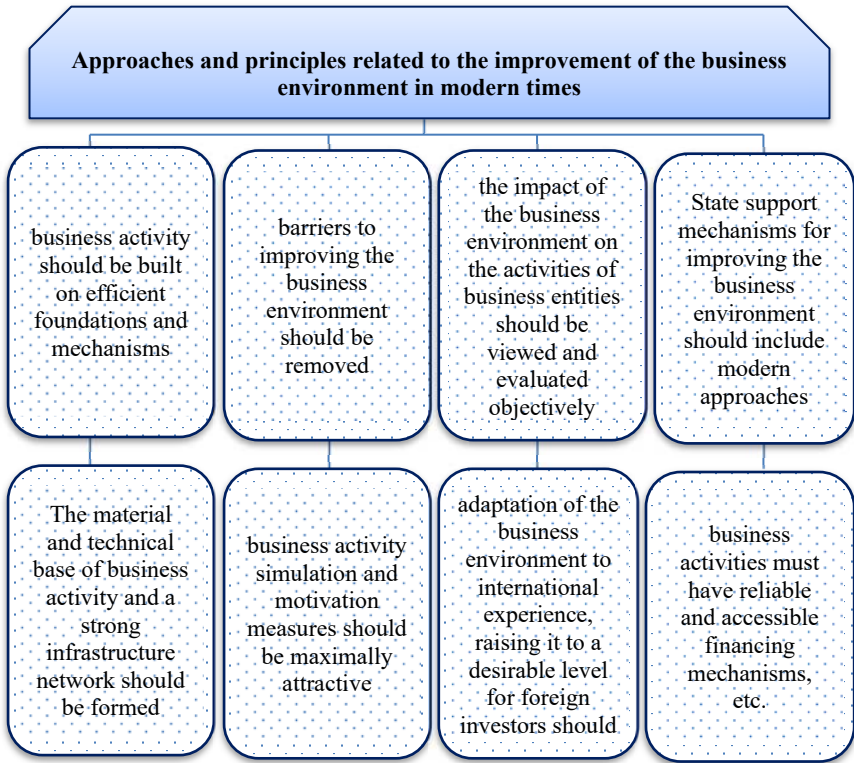
<sup>5</sup>Cantillon, R. Essay on the nature of trade in general plan // Мировая экономическая мысли. Through the prism of centuries. - Moscow: Mysl, 2004. - p. 273.

<sup>6</sup> Ricardo, D. On the Principles of Political Economy and Taxation, 1817. Batoche Books, Kitchener, Ontario. -2001, - p. 214.

<sup>7</sup> Schumpeter, JA History of Economic Analysis Oxford University Press, - 1954. - p. 418.

I.M.Abbasov and T.N.Aliyev paid special attention to the elements of entrepreneurial activity, which is the main element of the business environment, and stated that its main task is to produce products and provide services<sup>8</sup>. We also believe that the problems of improving the business environment require a systematic and complex approach to a group of factors and issues.

In scheme 1, we have schematized a number of approaches and principles related to the improvement of the business environment in the modern era.



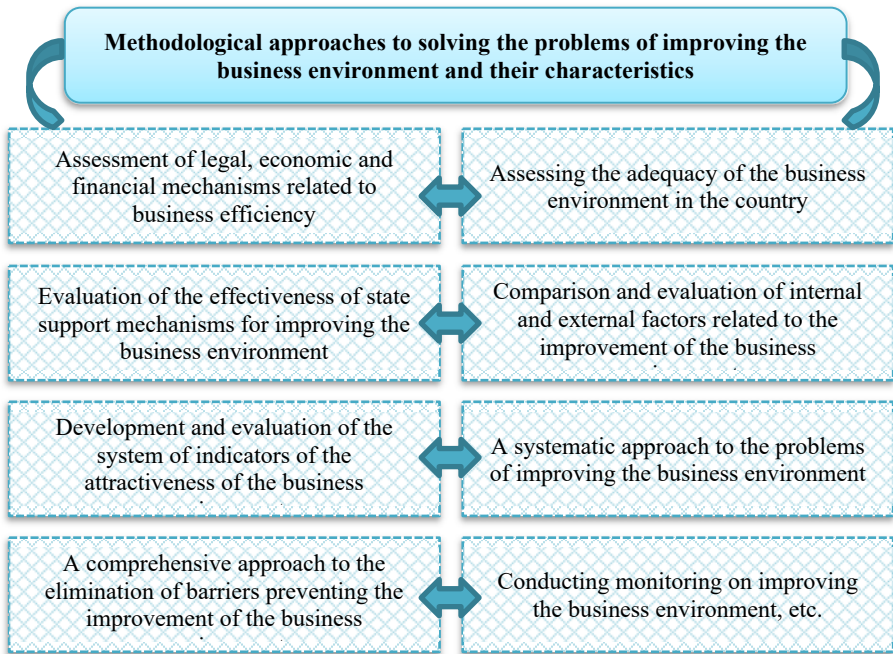
**Scheme 1. Approaches and principles related to improving the business environment in modern times**

*Source: prepared by the author*

<sup>8</sup> Abbasov, I.M., Aliyev Ministry of Economy of non-oil industry. - Baku: "Science and Education", - 2017, - p. 364.

Scheme 1, improving the business environment and systematically studying the factors related to it, uncovering and identifying its problems are important conditions in modern times.

Scheme 2 shows the methodological approaches and their characteristics for solving the problems of improving the business environment.



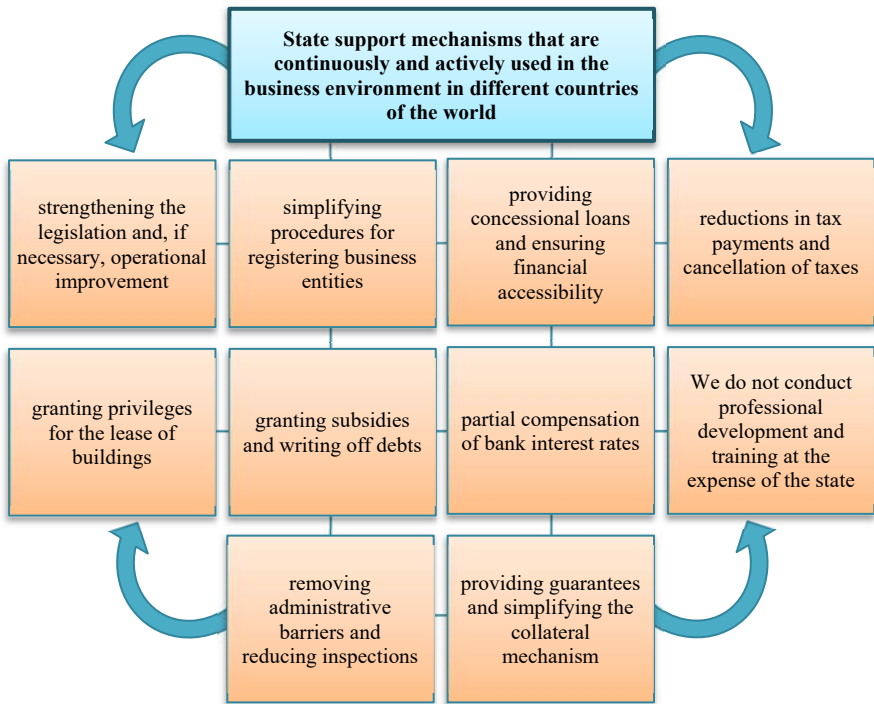
**Scheme 2. Methodological approaches to solving the problems of improving the business environment and their characteristics**

*Source: developed by the author.*

Measures to deepen business relations and ensure the attractiveness of the business environment in all areas of the country's economy should be systematic and consistent. In particular, the acceleration of regional innovative development and improvement of the business environment in the regions of the country should be ensured due to the development of small and medium entrepreneurship.



The business environment is carried out through specialized state institutions with large resource capabilities and wide powers. State support measures for business entities in countries around the world include guarantees and loans for entrepreneurs, commodity loans, venture financing, consulting services, tax benefits, etc. includes We believe that state support is one of the main factors in the creation and maintenance of entrepreneurial structures. A group of state support mechanisms that are continuously and actively used in different countries of the world is given in scheme 3.



**Scheme 3. State support mechanisms that are continuously and actively used in the business environment in different countries of the world**

*Source: prepared by the author based on research materials.*

If we proceed from scheme 3, it is possible to note that various state support mechanisms can be updated in the business

environment, and if necessary, the possibility of developing and applying more effective state support mechanisms in accordance with the requirements of the time is not excluded.

**In the second chapter of the work entitled "Analysis and assessment of the modern state of the business environment in Azerbaijan",** the analysis of the modern state of the development processes and organization of business activities in the country, the current state of the formation of the business environment in the country, the assessment of the efficiency of the business environment stimulation and state support mechanisms are given.

During the last 15-20 years, a lot of work has been done in the direction of adapting the development of the country's economy to the requirements of the modern era, improving the economic development model, accelerating economic processes and ensuring economic growth. These are reflected in a group of macroeconomic indicators, as well as in statistical data on entrepreneurial activity (see table 1).

As can be seen from Table 1, if the share of the non-state sector in GDP was 81.7% in 2010, this indicator was 81.2% in 2015 and 83.7% in 2017, and 85% in 2019. %, slightly decreased in 2021 to 83.5%, and in 2022 the growth rate was restored again and made 86.5%. It is interesting that currently the share of the non-state sector in agriculture is close to 100%. Year after year, the role of entrepreneurship in the direction of "denationalization" of the economy and reduction of dependence on oil is noticeable.

In recent years, the added value created by micro, small and medium business entities in our country has shown a growth rate, and this plays an important role in the growth of the non-oil sector in the structure of the national economy in general.

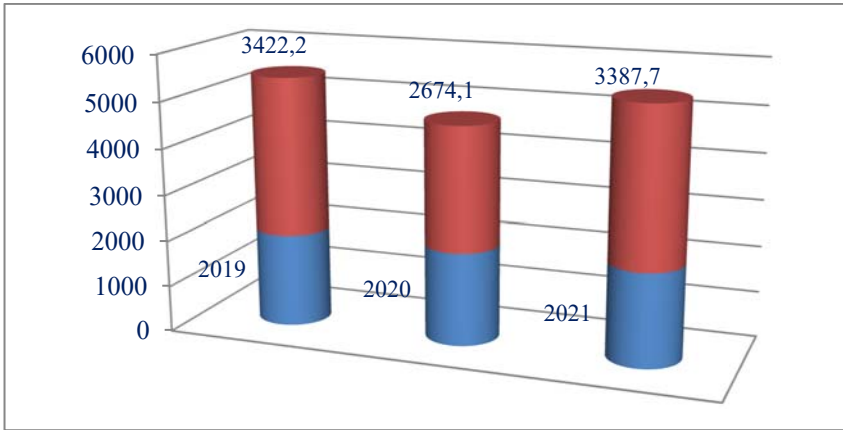
Diagram 1 analyzes the structure of capital investments by micro, small and medium-sized enterprises in Azerbaijan for 2019-2021. As you can see, in 2019, the volume of investments directed to the main capital was at the level of 3.4 billion manats. In 2020, this figure decreased by 27.3% to 2.67 billion manats. In 2021, there was an increase of 26.7% and amounted to 3.39 billion manats.

Table 1.

## The share of the non-state sector in the Gross Domestic Product of Azerbaijan, in %

Indicators	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2010-2022 years: +/ -
in GDP share	81,7	82,5	81,5	82,5	81,9	81,2	83,7	83,8	84,7	85,0	80,8	83,5	86,5	+4,8
Industry	87,4	88,1	87,3	87,4	86,1	83,0	87,6	87,9	89,6	89,3	85,6	88,8	92,8	+5,4
Construction	72,0	75,3	76,0	84,5	84,3	84,5	86,8	84,6	80,2	82,9	84,6	87,5	87,5	+15,5
Village farm	99,7	99,3	99,4	99,4	99,8	99,8	99,9	99,9	99,9	99,9	99,9	99,9	99,9	+0,2
Trade and services	99,2	99,7	99,7	99,8	99,8	99,6	99,6	99,7	99,8	99,7	99,9	99,7	99,7	+0,5
Transport	75,3	78,1	77,7	77,1	78,5	81,7	82,8	82,4	83,1	83,6	80,1	84,8	85,1	+9,8
Communication	78,6	76,3	76,6	76,8	80,0	81,0	80,5	81,2	82,0	82,4	80,8	81,5	81,5	+2,9
Social and etc. services	47,0	49,4	49,1	51,5	55,2	57,8	58,0	56,1	56,4	58,2	51,0	52,5	52,5	+5,5

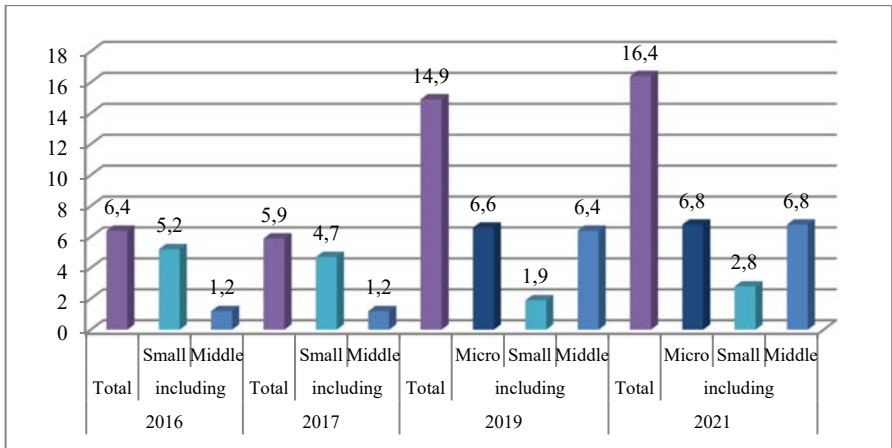
Source: National Accounts of Azerbaijan. - [https://www.stat.gov.az/source/system\\_nat\\_accounts/](https://www.stat.gov.az/source/system_nat_accounts/)



**Diagram 1. Volume of investments in fixed capital by micro, small and medium enterprises in Azerbaijan, million manats, 2019-2021**

Source: prepared based on the data of ARDSK - <https://www.stat.gov.az/source/entrepreneurship> ).

Diagram 2 compares the share of micro, small and medium business entities in the economy of Azerbaijan for 2016-2021.

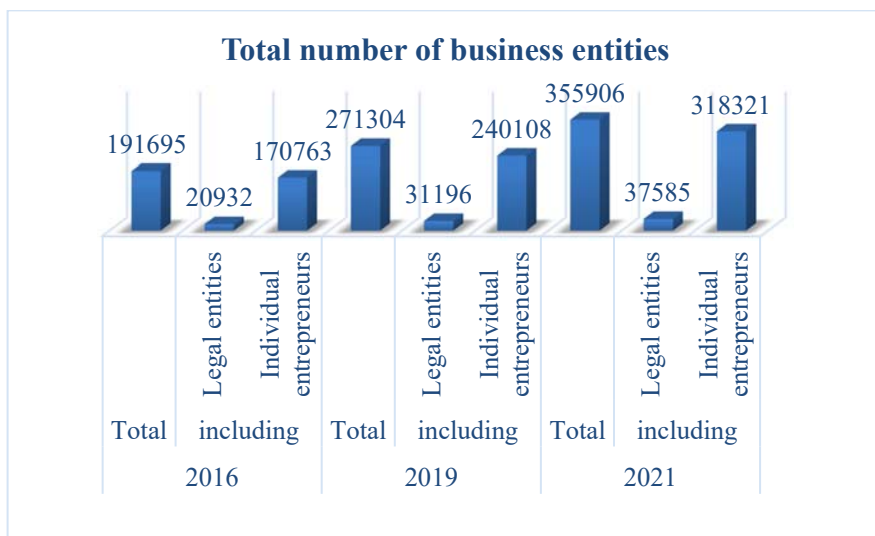


**Diagram 2. Share of added value of micro, small and medium enterprises in the economy of Azerbaijan, in percentage, 2016-2021**

Source: prepared based on the data of ARDSK - <https://www.stat.gov.az/source/entrepreneurship> ).

Diagram 2, it can be seen that in 2016, the share of small and medium-sized enterprises in added value was only 6.4%, and in 2021, this indicator will increase by almost 2.7 times to 16.4%. has done

Diagram 3 shows the number of micro, small and medium business entities operating in Azerbaijan in 2016-2021.



**Diagram 3. Comparison of the total number of micro, small and medium business entities operating in Azerbaijan; 2016, 2019 and 2021**

Source: prepared based on the data of ARDSK - <https://www.stat.gov.az/source/entrepreneurship>).

If we look at the analysis of diagram 3, due to the improvement of the business environment, the number of business entities increased by 85.7% during the years 2016-2021 and amounted to 355.9 thousand units in 2021. During that period, especially in recent years, the interest in the creation of micro-entrepreneurial entities has increased significantly. Thus, the share of micro-entrepreneurial entities in the total number of such business entities operating in the country in 2021 was close to 97.3%, or 346.2 thousand business entities operated in the status of micro-entrepreneurs.

Table 2, a group of indicators of Sumgayit Technology Park during 2014-2022 was analyzed.

**Table 2**

**A group of key indicators of Sumgayit Technology Park  
(2014-2022 years)**

<b>Years</b>	<b>Investments, mln. Man.</b>	<b>Cost of product production, mln. Man.</b>	<b>The value of the main funds, million man.</b>	<b>Income, mln. man.</b>
2014	251.0	44.8	221.6	150.5
2015	799.0	51.9	195.0	101.4
2016	814.3	58.8	184.7	94.5
2017	1 045.5	80.0	172.5	82.3
2018	1 048.6	79.5	157.4	197.3
2019	1 049.6	90.9	194.3	97.7
2020	1 052.0	50.7	193.7	69.1
2022	1 052.0	142.7	175.8	68.7

*Source: Prepared by the author based on information from STP.*

If we proceed from Table 2, we see that the cost of production of Sumgayit Technology Park increased by 3.2 times due to the investments made in 2014-2022. This shows that the potential for improving the business environment in our country is high.

In Table 3, we have presented information about a group of business structures - companies that have taken their place and developed in the business environment in Azerbaijan in recent decades.

By improving the business environment, operations are greatly facilitated by rapid adaptation to the ever-changing personalized consumer demand. For this, it is necessary to actively develop and apply innovations based on new knowledge in the field of production of products and services, as well as management technology. As a result, the scientific-technical base is the main driving force for the development of entrepreneurship, and the improvement of the scientific-technical and technological work environment becomes one of the most urgent issues in the formation of a favorable business

environment in the region<sup>9</sup>. The improvement of the business environment depends on the factors of the internal and external environment. Internal environment factors include, first of all, the appropriate quantity and quality level of personnel, their professionalism and the organizational culture of the work structure<sup>10</sup>.

**Table 3**

**A group of companies developed in the business environment of Azerbaijan and a summary of their activities**

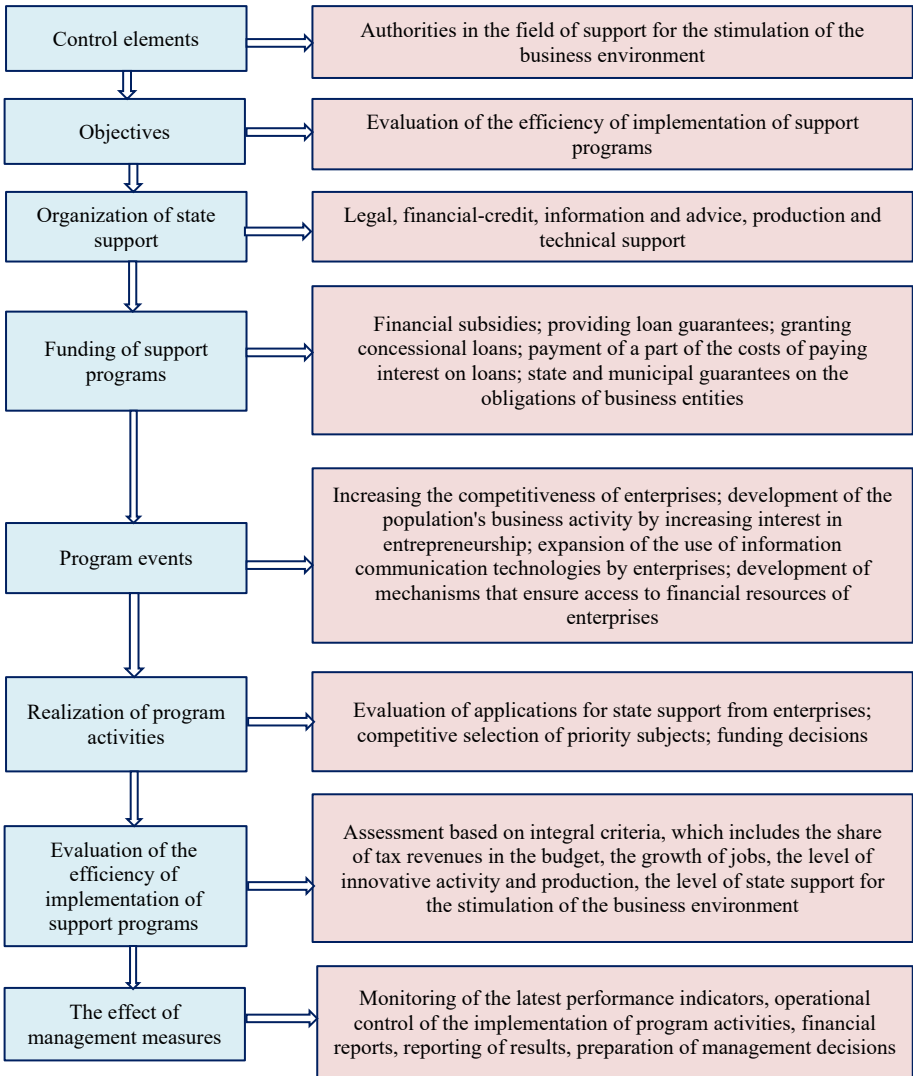
№	Companies	Information about the companies and a brief content of their activities
01	Azersun Holding LLC	- The company is a business institution with a sufficiently organized and developed structure in Azerbaijan. The volume of its assets is 1163.4 million manats. The company had a total profit of 465.1 million manats in 2022, and the net profit for the year was 15.2 million manats. The company mainly specializes in the production and sale of food products, including increasing its export potential.
02	"Holcim (Azerbaijan) " OJSC	- The company operated in Azerbaijan during the Soviet Union. In the early 1990s, the Garadag cement plant was privatized and the volume of production was significantly increased as a result of the application of high technologies and advanced management methods. Cement and ready-mix concrete are mainly produced here. In 2022, the total profit was close to 68.8 million manats. Net profit was 6.6 million manats. The total volume of the company's assets is 280 million manats.
03	"Azertechnoline" LLC	- In 2012, it started operating as the first resident of Sumgayit Chemical Industrial Park. Export-oriented products based on high technologies, including steel and polyethylene pipes of various sizes, metal fences, drawers, etc. is produced.

Source: <https://api.azersun.com/files/page/etdmrlye.k2p.pdf>;  
<https://www.holcim.az/az>; Prepared by the author based on  
[https://www.azertechnolayn.com/site/assets/files/1051/atl\\_az\\_dili.pdf](https://www.azertechnolayn.com/site/assets/files/1051/atl_az_dili.pdf).

<sup>9</sup>Korobkova, N.A., Paramonova, L.S. Improvement of institutions of interaction of power and business in the context of regional development // Internet-journal «Science» – 2013. Issue 6 – p . 9 .

<sup>10</sup>Muravyova, A.A., Pozhidaev, R.G. Improvement of business processes: tasks of future studies // Vestnik BГУ. - 2013. No. 2, - p . 141.

Scheme 4, a mechanism for evaluating the effectiveness of state support instruments and regulatory measures in stimulating the business environment is proposed.



**Scheme 4. State support tools for business environment stimulation and a mechanism for evaluating the effectiveness of regulatory measures**

*Source: prepared by the author*



Table 4 shows the quantitative and qualitative assessment of the efficiency criteria of state support to entrepreneurship.

**Table 4**

**Systematization of efficiency criteria of state support to entrepreneurship**

Evaluation method	Economic efficiency	Budget efficiency	Social efficiency
Quantitative assessment	<ol style="list-style-type: none"> <li>1. Turnover of micro, small and medium enterprises</li> <li>2. Number of micro, small and medium enterprises</li> <li>3. Number of micro, small and medium enterprises covered by state support</li> <li>4. The number of enterprises improving their financial and economic indicators</li> <li>5. Volumes of products, work and services of micro, small and medium enterprises</li> <li>6. Share of entrepreneurship in GDP</li> <li>7. Fertility and productivity in entrepreneurship</li> <li>8. Attracting investment to the main funds</li> <li>9. Creation of infrastructure facilities to support entrepreneurship</li> </ol>	<ol style="list-style-type: none"> <li>1. Amount of tax revenue</li> <li>2. Volume of export receipts</li> <li>3. Increase in the tax base</li> </ol>	<ol style="list-style-type: none"> <li>1. The number of jobs created.</li> <li>2. Number of people working in micro, small and medium enterprises</li> <li>3. Average monthly salary in micro, small and medium enterprises</li> </ol>
Quality assessment	<ol style="list-style-type: none"> <li>1. Protection of the competitive environment</li> <li>2. The level of attraction of extra-budgetary financial sources and additional funds for the development and support of entrepreneurship</li> </ol>	<ol style="list-style-type: none"> <li>1. Recovery of funds allocated from the budget on a repayable basis to support entrepreneurship</li> <li>2. Increasing tax collection from micro, small and medium - enterprises</li> </ol>	<ol style="list-style-type: none"> <li>1. Social tension</li> <li>2. Social profitability of micro, small and medium enterprises</li> <li>3. Welfare level of the population</li> </ol>

*Source: prepared by the author.*

After determining the functions of entrepreneurship with the help of systematization of the proposed criteria, it is possible to determine the indicators characterizing the degree of fulfillment of these functional tasks.

Despite numerous forms of support in improving the state's business environment, we lag behind a number of developed and developing countries in this area. We hope that in the near future, our country will achieve an increase in the role of entrepreneurship in today's national economic system and a further increase in the value of the services produced and provided by this sector in the GDP, taking into account the extensive foreign experience. This gives us a reason to say that there is favorable natural and economic potential for the development of entrepreneurship in Karabakh and the surrounding regions, which were freed from occupation as a result of the 44-day Patriotic War. This will ultimately improve the favorable business environment with the development of entrepreneurship in those areas, and will boost the sustainability of the socio-economic development of the country.

Along with these, the "I State Program on the Great Return to the Territories Freed from Occupation of the Republic of Azerbaijan", approved by the decree of the President of the country dated November 16, 2022, provides measures for the revival of post-conflict areas and the return of the population to their native lands more intensively, and already they implementation has been started<sup>11</sup>.

The Great Return has been launched in Karabakh and Eastern Zangezur economic regions. The "smart village" pilot project has been successfully implemented at the base of Agali village, and residents continue to return to their native land. Sugovushan settlement also welcomed its first residents. More intensive settlement is taking place in the city of Fuzuli and the city is developing rapidly. In the cities of Aghdam and Shusha, residential areas and houses are being built intensively.

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<sup>11</sup> I State Program on the Great Return to the liberated territories of the Republic of Azerbaijan. It was approved by the Decree of the President of the Republic of Azerbaijan dated November 16, 2022

At the same time, the development of entrepreneurship and employment of the population in these areas are in the focus of special attention. The number of residents in the "Araz Valley Economic Zone" in Aghdam Industrial Park and Jabrayl is increasing, and the processes of establishing various production and processing areas are underway. Agrarian agropark operates in Lachin and is expanding. For the development of entrepreneurship and improvement of the business environment, there are tax and customs concessions for 10 years for territories freed from occupation. We believe that all this will give a substantial impetus to the development of entrepreneurship in post-conflict areas in the near future.

**In the third chapter** of the dissertation, entitled "**Improving the business environment provided for in the Strategic Roadmap in Azerbaijan**", the improvement of the legislative framework in order to improve the business environment, the expansion of innovative infrastructure to improve the business environment in the development of entrepreneurship, and the main directions of improving the business environment in Azerbaijan are given.

It should be noted that in order to improve the business environment in the Strategic Road Map, the following measures are planned for the development of the regulatory and legislative framework and the implementation of support measures for them: 1) Analysis of legislative acts on the business environment and preparation of proposals for improvement on this basis. 2) To support the improvement of the business environment, the redrafting of national legislative projects that define the functions of public organizations, create conditions for micro, small and medium-sized enterprises to provide microcredit, create legal conditions for risk insurance, ensure the functions of funds that support entrepreneurship, and preferential conditions for the innovative activity of entrepreneurial structures improvement in terms of creating. 3) Preparation of proposals for additions and changes to labor legislation, Tax Code, decrees and orders supporting entrepreneurship, draft laws on the development of individual auxiliary farms, and 4) Preparation of proposals for improvement of legislative acts on the regulation of legal relations in the business environment by state institutions.

Measures taken in recent years to strengthen legal support for improving the business environment are of course of great importance for its development. It should be noted that the economic reforms carried out in our country are always in the center of attention in the reports published annually to evaluate the business environment in the world. One such report is the Doing Business report produced by the World Bank, which includes an assessment of the business environment. According to that report, our republic ranked 57th in 2018, 25th in 2019, and 28th in 2020 among 190 countries in terms of business environment. In particular, according to the business start-up index, it ranked 18th in 2018, and 9th in 2019 and 2020. In terms of receiving loans, our country ranked 122nd in 2018, 22nd in 2019, and 1st in 2020<sup>12</sup>. These indicators are a clear proof of the improvement of the business environment in our republic.

For the priority development of innovatively active enterprises, a number of special steps should be taken in the direction of increasing the share of the current assets of SMEs and further improving the financing mechanism for this purpose: 1) taking into account the characteristics of the regions of the country, determining the types of economic activities carried out by business entities for preferential lending ; 2) determination of goals for the needs of entrepreneurship for financial sources and, as we mentioned at the beginning, provision of financial accessibility and access to cheap loans; 3) Review of the possibilities of expanding the activities of the Mortgage and Credit Guarantee Fund; 4) expansion of the collateral base for loans; 5) stimulating the use of the resources of credit organizations for lending to the entrepreneurial sector; 6) development of mechanisms for using innovation-oriented and unsecured loans in entrepreneurship; 7) increasing financial literacy of entrepreneurs; 8) improvement and development of risk management mechanisms affecting the business sector, etc.

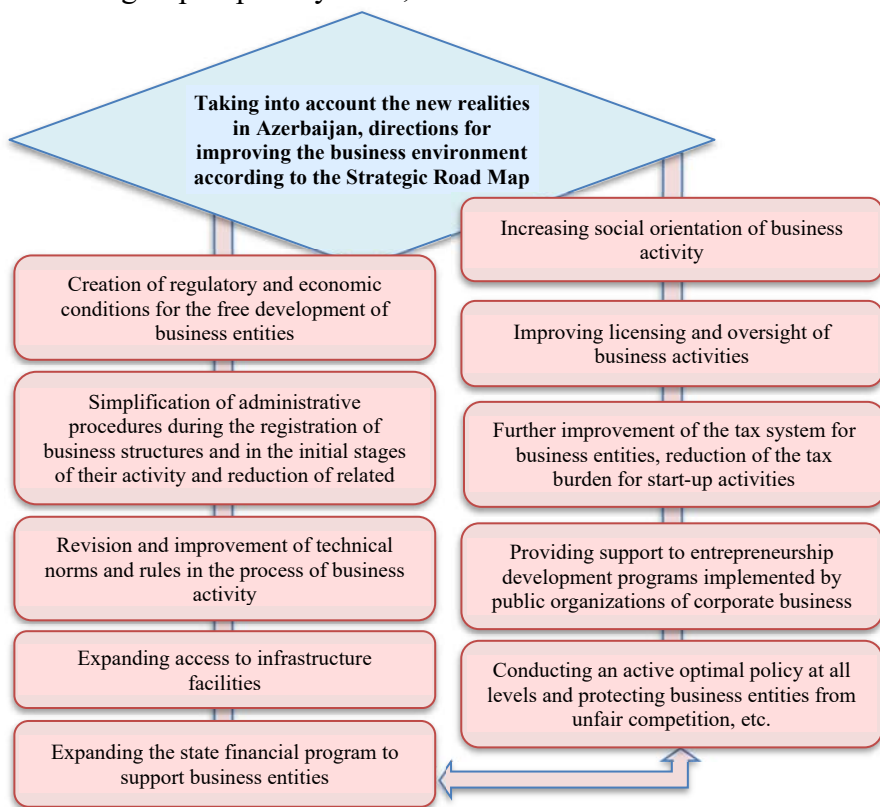
Regarding the improvement of the business environment in Azerbaijan, the intensity and efficiency of the measures taken in

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<sup>12</sup>Small and Medium Business Development Agency. [Electronic resource] / URL: <https://smb.gov.az/storage/KOB%C4%B0A%20%C4%B0CMAL%202020.pdf>. - p. 2.

recent years are particularly different. In the important document approved by the Decree of the President of the country dated December 6, 2016 - "Strategic Roadmap for the production of consumer goods at the level of small and medium enterprises in the Republic of Azerbaijan", strategic goals in this field are defined <sup>13</sup>.

Improve the business environment within the framework of the Strategic Roadmap, it is initially necessary to ensure the solution of tasks in a group of priority areas, and these are reflected in Scheme 5:



**Scheme 5. Block diagram of directions for improving the business environment within the framework of the Strategic Road Map, taking into account the new realities in Azerbaijan**

*Source: prepared by the author.*

<sup>13</sup>Strategic Roadmap for the production of consumer goods at the level of small and medium enterprises in the Republic of Azerbaijan. - Baku: December 6, 2016, - 96 p.

Scheme 5 determine the deepening of modern approaches to the health of the business environment in our country and the expansion of measures to improve the business environment in this regard.

In the Strategic Road Map, we would like to focus on a number of results achieved in the direction of improving the business environment in accordance with the goals set for the development of entrepreneurship. So, if we refer to the report of the Center for Analysis and Communication of Economic Reforms, during the last period, in the "Doing Business" report of the World Bank, according to the "Receipt of loans" indicator, our country went from 122<sup>nd</sup> place out of 190 countries in 2018 to 1st place in 2020 was able to get up. State-business dialogue was ensured, Mediation Council was established in 2020, measures were taken to speed up business and eliminate interference in business processes, the scope of electronic services was expanded, trade representative offices were established in a number of countries, a system of export subsidies was established, in the "Doing Business 2020" report, Azerbaijan It is ranked 28th among 190 countries. According to the "Starting a business" indicator, it has risen to the 9th place globally <sup>14</sup>.

We believe that the regulation of existing state mechanisms in the direction of entrepreneurship development, the issues of improving the business environment within the framework of the Strategic Road Map should be reconciled with the development trends of the post-pandemic period and the goals of revitalization of territories freed from occupation, and should include modern challenges.

**In the "Conclusion" section of the dissertation, proposals and recommendations of scientific and practical importance arising from the nature of the research are given:**

1. The problems of developing entrepreneurship and improving the business environment, business activity and the theoretical approaches of entrepreneurship, which is one of its main elements, allows us to put forward these ideas that business activity is characterized as an activity of considerable socio-economic

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<sup>14</sup> 2017-2020 Monitoring and Evaluation Report of Strategic Roadmaps for the national economy and main sectors of the economy in the Republic of Azerbaijan.  
<https://ereforms.gov.az/files/monitoring/pdf/az/d4497f9b80af19af997ea8012568a1ca.pdf>.

importance. Business activity creates material goods, produces products; carries out commercial activities at risk; creates and develops production areas and is therefore an attractive area of activity.

2. Studying the problems of improving the business environment, business activity and the theoretical approaches of entrepreneurship, which is one of its main elements, allows us to put forward these ideas that business activity is characterized as an activity of considerable socio-economic importance. Business activity creates material goods, produces products; carries out commercial activities at risk; creates and develops production areas.

3. In terms of applying the leading examples and models of the world experience in improving the business environment in the framework of entrepreneurship development in Azerbaijan, we are of the opinion that it may be effective to give priority to the mechanisms and tools of action in the mentioned directions in the USA and European Union countries. On the other hand, we consider it important to give importance to the experience of Japan and Southeast Asian countries, including China and Singapore.

4. Approaches to the issues of systematic provision of state support to the improvement of the business environment should be provided at the level of modern requirements. In order to ensure the effectiveness of the stimulation of business subjects, the importance of maximum targeting of state support mechanisms should be focused. In the conditions of modern digital transformations, it is an important issue to adapt the business environment to the requirements of the time and global challenges. In order to prepare and implement more flexible and productive mechanisms in these directions, we state and suggest the importance of creating a "digital portal of business subjects of the Republic of Azerbaijan" in our country. Currently, various state and public institutions are taking measures for business activity, creating fertile conditions for the development of business entities, but they do not have the functions of complementing and regulating each other. The functioning of the digital portal of business entities would allow for more flexible decision-making, promotion and organization of business projects,

and increase of investment attractiveness of the business environment.

5. In order to realize the goal of improving the business environment in the strategic road map, measures should be taken to use the available natural and economic resources more actively and efficiently in the regions. In particular, taking into account the factors arising from the negative impact of the Covid-19 pandemic, it is important to revitalize the business environment more intensively, ensure its dynamism, and develop and implement more flexible and productive mechanisms and strategies in accordance with the requirements of the post-pandemic period.

6. We consider it important to prepare and implement purposeful state programs to improve the business environment in Azerbaijan, based on the challenges of the modern era, based on the National Priorities for socio-economic development for the period up to 2030. The functionality and attractiveness of the important elements of the business environment should include the interests of domestic and foreign investors, encourage more productive activities of business entities, diversify the country's economy, increase competitiveness, and form new economic growth and financial sources.

7. In order to maximize the acceleration of recovery and revitalization measures in the newly created economic regions in the liberated territories - Karabakh and East Zangezur economic regions, to make significant contributions to the realization of the First State Program on the Great Return, the tax determined for the increase of the attractiveness of the business environment and the state support mechanisms directed to entrepreneurial activity in these areas We consider it important to take measures and implement more intensive mechanisms in the directions of expanding the activities of private business entities in these processes, taking advantage of the benefits of the state-private sector cooperation to a new level, etc.



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1. Prospects for improving the business environment within the framework of the strategic road map for the development of entrepreneurship // - Baku: "Scientific Works" scientific journal of ANAS Institute of Economics, 2019, No. 06. - p. 343-349.

2. Actual problems and directions of improving the business environment in the conditions of global economic challenges // - Baku: "Audit" scientific journal, 2019, No. 03. - pp. 126-138.

3. The strategic importance of improving the business environment in the development of small and medium enterprises // - Baku: "Geostrategiya" scientific journal, 2019, No. 04. - p. 93-97.

4. Strategic aspects of approaches to the problems of improving the business environment in the direction of entrepreneurship development // - Baku: "Kooperasiya" scientific journal, 2019, No. 04. - p.128-135.

5. Theoretical and methodological issues of improving the business environment in the development of entrepreneurship // – Baku: "News of ANAS" scientific journal. Economy series, 2020, No. 04 – p. 23-30.

6. Evaluation of the effectiveness of state support mechanisms in stimulating business in the development of entrepreneurship in Azerbaijan // - Baku: "Geostrategiya" scientific journal, 2020, No. 03-04 - pp. 46-50.

7. Directions of digitization of the business environment in the processes of entrepreneurship development according to the strategic road map // – Baku: "News of ANAS" scientific journal. Economy series, 2021, No. 03, – p. 44-53.

8. Modern trends and perspectives of entrepreneurship development in the regions // – Sumgait: "Regional economy: modern aspects and current issues" REK, April 22-23, 2021. - P. 383-387.

9. Problems and prospects of improving the business environment in the development of entrepreneurship in the context of a strategic road map // – Moscow: Journal "Financial Economy", 2022, No. 01. - c. 169-172.

10. Strengthening of the innovative structure of the enterprise in the improvement of the business environment within the framework of the strategic road map // – Moscow: Collection of materials. IV international scientific and practical conference "Modern trends in the development of science and the world community in the era of digitalization", January 28, 2022. - pp. 171-178.

11. Strengthening of the business environment in the context of increasing the efficiency of the enterprise in modern conditions // – Moscow: Collection of materials of the VII International Scientific and Practical Conference «Modern problems of civilization and sustainable development in the information society. February 15, 2022 - pp. 118-124.



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