

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**INCREASING THE EFFICIENCY OF THE REGIONAL  
ECONOMY IN THE REPUBLIC OF AZERBAIJAN BASED  
ON SPECIALIZATION**

Speciality: 5304.01 – “Types of economic activity”

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## INTRODUCTION

**Research issue rationale and development rate.** Certain area and regional factors play an important role in the development of any society. This has historically been the case and is still the case today. Its various aspects are studied by geography, regional studies, demography, sociology and other fields of science. The solution of socio-economic problems in regional development is considered more important and significant. As a whole, the economic development of the state and society is closely related to the sustainable development level of the regions and depends on its effective implementation. Observations show that the dynamic development of the economy also depends on the provision of proportional and efficient growth in its field and territorial sections. From this point of view, the topic of the research work is dedicated to the investigation of the issues that are important in accelerating the socio-economic development of the regions, as well as in increasing the investment attractiveness of the most important and strategically important areas of the economy.

Correctly determining the role and location of efficiency in the regional economy is of great importance. Efficiency, which is considered an important economic category in this direction, means the level of results achieved by the implementation of various legal, organizational, social, economic, and other similarly oriented measures in the direction of the sustainable development of the regional economy within a certain period of time (quarter, year, five-year period, etc.), measure is understood. Thus, efficiency is defined as the ratio of the obtained social and economic results to the numerous measures taken, reflecting the level of useful and correct use of the existing economic potential of each region, as a quality indicator of the above.

It should be noted that the efficiency indicator is reflected in the form of kind and value as both general and specific indicators. In our opinion, general indicators can be reflected as result, and specific indicators as cause indicators. At the same time, the relationship between these indicators and various elements affecting them act as one of the important conditions for increasing efficiency.

The process of specialization, which is an important form of division of labor, plays an important role in the development of the national economy, including the regional economy. Each region differs from the others with many characteristics of its own. This includes existing natural and climatic conditions, types and main directions of economic activity, formed infrastructure elements, existing labor resources and others. Using regions and their potential in accordance with local characteristics and purposefully, ensuring proper and comprehensive use of local resources and resources, producing high-quality export-oriented products by applying innovation-oriented technologies and equipment, and other mechanisms, balanced and sustainable development of individual regions. It is possible to refer to these and other issues such as creating the optimal ratio for development.

Studies show that in the process of studying the country's economy in terms of regional characteristics, more attention was paid to it from the point of view of the development of productive forces. Researching the new features of regional development in the system of market economic relations, improving directions for giving more incentives to the use of intra-regional resources in the conditions of reduced local management and surplus financial resources, as well as determining the methods and features of effective protection of the internal market are new from the research point of view. The specialization of regions, the involvement of existing potential opportunities in the economic cycle is also a necessity arising from the implemented state programs and projects. In the “State Programs for the Socio-Economic Development of the Regions of the Republic of Azerbaijan” covering the years 2004-2023, in “Azerbaijan 2030: National Priorities for Socio-Economic Development”, in the “Socio-Economic Development Strategy of the Republic of Azerbaijan in 2022-2026” and so on. development of regions in programs and projects, issues of efficient use of regional potential, as well as the “I State Program on the return to territories freed from occupation” adopted in 2022, in accordance with the goals set for the development of these regions, in accordance with the principles of the market economy in the Karabakh and Eastern Zangezur economic zones

Creating a flexible management structure, providing fertile conditions for the development of entrepreneurship, ensuring regional development based on specialization in accordance with the economic resources and development potential of each region is an important task. This is natural, because it is impossible to achieve general economic progress without developing the regions. On the other hand, in providing the country's population with necessary food and food products, although the specific weight of individual regions is different, in general, the regions have a leading share. This means that regional specialization is of particular importance not only in terms of economic progress and efficient use of existing resources, but also in terms of normal living of people and provision of a decent standard of living of the population.

Preference for specialization in regional development is also a reality born from the calls of the head of state. At the meeting dedicated to the socio-economic results of the first 6 months of 2023, President Ilham Aliyev noted that *"...we should conduct a conceptual study of the impact of transport corridors on business and define a goal for ourselves, what do we want? . Roads running from South to North and from East to West in the country cover almost the majority of our regions. Therefore, each direction should have a special business opportunity according to the specifics, climate, and specialization. Members of the government should prepare their own proposals on this issue."*<sup>1</sup>

As it can be seen, the head of state emphasizes the specialization along the transport corridors and gives the government the task of preparing proposals in this direction. This means that the topic of the research work and the issues it covers are directly related to the priorities of the socio-economic development policy implemented by the government of Azerbaijan. All this means that the chosen topic is relevant and that the research is based on today's reality.

The correct identification of natural resources of the regional economy, the purposeful use of its existing potential, the improvement of efficiency based on specialization, various aspects of the research

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<sup>1</sup> <https://president.az/az/articles/view/60430>

conducted in this direction by both local and foreign scientists are reflected in numerous scientific works. Economists of the Republic of Azerbaijan A.A. Nadirov, Z.A. Samadzade, A.Kh. Nuriyev, E.R. Ibrahimov, E.A. Guliyev, B.Kh. Atashov, I.H. Ibrahimov, T.N. Aliyev, I.H. Aliyev, distinguished by their valuable research in this field. A.G. Alirzayev, A.C. Verdiyev, D.A. Maharramov, A.C. Gasimov, A.E. Guliyeva, R.A. Balayev, M.C. Huseynov, M.M. Huseynov, E.A. Ibrahimov, I.M. Rzayev, T.A. Abbasov, A.A. Aliyev, N.V. Alibayov, Kh.M. Huseynova and others, and from foreign scientists L.A. Nemenushaya, P.N. Koshunov, L.V. Chayka, I.N. Barykin, A.G. Granberg, E.G. Kovalenko, A.S. Novoselov, I.A. Rodionova, N.G. Kuznetsova, Q.T.Polyaka, T.G.Morozovoy, V.V.Kistanov, A.S.Marshalova, E.A.Utkin, V.N.Chapek and others have conducted a number of valuable studies in the direction of solving the mentioned problems.

At the same time, it should be noted that although the issues of efficient use of economic potential have been considered to a certain extent, the study of the issues of increasing its efficiency in accordance with the trends of specialization at the regional level is still insufficient and not carried out at the appropriate level, and specific proposals have not been developed accordingly. From the point of view of the above, it is of great importance to study in detail the issues of increasing the efficiency of the economy on the basis of specialization according to regional conditions. That is why it was necessary to select and study this topic as a dissertation work.

**Object and subject of reserarch.** The object of the research is the regions of the Republic of Azerbaijan and their existing economic potential.

Issues, regularities, methods and means of increasing the efficiency of the regional economy in the Republic of Azerbaijan on the basis of specialization were chosen as the subject of the research.

**Aims and objectives of the research.** The purpose of the research is to study the theoretical and methodological bases of the efficiency of the regional economy based on specialization in detail, to develop scientifically based proposals and practical recommendations on the directions of improvement based on the analysis and evaluation of the

current situation.

In order to achieve the above goals, it was considered appropriate to perform the following tasks:

- examining the essence and elements of the regional economy, which is considered an important component of the country's economy, as well as determining the ways to properly ensure efficiency in the regional economy and the characteristics of its formation;
- the role of specialization in increasing the efficiency of the regional economy and the justification of purposeful measures implemented in the field of state regulation in this direction;
- analysis and evaluation of the current state of socio-economic development of the regions;
- evaluation of the factors hindering the efficient operation of regional development based on the expert evaluation method;
- researching the ways of sustainable development of entrepreneurial activity in accordance with the trends of specialization in the regions;
- working out the main directions of the sustainable development of the agrarian field at the regional level;
- determination of features of organization of free economic zones in regions, etc.

**Research methods.** In the research were used induction, deduction, comparison, observation, systematic analysis, generalization, expert assessment, statistical analysis and other methods.

**Basic theses for defense:**

- the formation and improvement of new production and economic relations in the regions in terms of existing realities, as well as the economic mechanisms that give a serious stimulus to the further strengthening of a healthy competitive environment and the development of a progressive activity system are still not advanced;
- the economic development of the regions should be organized on the basis of comparative advantages and specialization principles, at the same time, it is necessary to correctly define their specific characteristics and create favorable conditions for the expansion of

economic activity and socio-economic development directions corresponding to them;

- by both deepening and improving the process of specialization in the regions, it is possible to increase the volume of products and services and lower the level of costs by using the current economic conditions more effectively, and the forecasting of socio-economic development trends in the regions is not organized according to the trends of specialization;

- the policy of regulation of socio-economic processes of the state and measures of regional policy should be approached comprehensively and holistically;

- the process of implementing effective regulatory measures on state-owned natural resources and means of production in the regions should be improved and in this case, specialization features should be highlighted;

- as a direct method of state regulation in the regions, the implementation of certain state orders in the process of various economic-production activities should be intensified;

- it is important to eliminate monopolies in regions and various areas of economic activity and create conditions for the formation of a fair competition environment;

- based on the regional characteristics of the formation and development of free economic zones (FEZs) in our country, their role in further strengthening of social and economic development, especially in the non-oil sector, and in ensuring sustainable economic growth trends should be gradually increased.

**Scientific novelty of the research.** The scientific innovations obtained as a result of the completed dissertation work include the following:

- taking into account the new challenges in the market relations system in the world, the nature and contents of the regional economy were explained, the main directions of its state regulation, scientific-theoretical approaches on the nature of the sustainable development system were systematized;

- in accordance with the successful development of the regional economy and increasing its efficiency on the basis of specialization,



the main and priority goals were justified, the main aspects and directions of its efficiency were determined, and the ways of improving its quality indicators were indicated;

- based on the expert assessment method, the influence of the factors related to the effective functioning of regional development was evaluated;

- in the process of specialization, in accordance with the trends of continuous improvement of competitiveness of the regional economy

- the ways of correct organization of cluster development have been determined;

- the methodology of determining comparative advantages in the direction of ensuring the sustainable socio-economic development of the regional economy and increasing its efficiency based on specialization, as well as expanding interregional economic and economic relations was developed;

- the ways of effective use of the existing potential in the direction of the proper conduct of the regional economic policy are substantiated, etc.

### **Theoretical and practical significance of the research.**

The theoretically oriented results obtained in the research work can be used in the teaching of regional economy specialties of various higher schools, as well as in future scientific research in the relevant field. The theoretical propositions and practical recommendations put forward in the dissertation are useful in the teaching of economic-oriented subjects in higher schools, in the successful implementation of state programs implemented in the direction of sustainable development of the country's regions, especially in the improvement of the existing economic policy mechanisms and methods implemented in this direction, as well as in the development of various sectors of the regional economy. can be useful in the process of speeding up their pace.

**Approbation and implementation.** The main content of the dissertation work is reflected in 6 articles and 3 theses (including 2 articles and 1 thesis abroad) published in prestigious local and foreign journals recommended by the applicant's Higher Attestation Commission, in the materials of international and national scientific-

practical conferences. Among the published scientific works are the theses “Main directions of ensuring economic development in regions” (Mingachevir, 2019) and “Social-economic development policy of regions in the Azerbaijan republic realities and perspectives” (Dnepr, 2019), “Effective regulation of modern regional policy issues” (Mingachevir, 2021) conference material.

In addition, the plaintiff's “Theoretical-methodological foundations of the efficiency of the regional economy” (Moscow, 2016), “The role and place of specialization in increasing the efficiency of the regional economy” (Baku, 2017), “Creation of special economic zones in the Republic of Azerbaijan and their regional features” ( Saint-Petersburg, 2017), “The concept of efficiency in the regional economy and directions for its provision” (Baku, 2017), “On the issues of improving the financial provision of regional development” (Baku, 2018), “Issues of improving the socio-economic development of regions” (Baku , 2019) articles were published.

**The name of the organization where the dissertation was conducted.** Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan.

**The volume of the dissertation's structural sections separately and the general volume.** Dissertation work consists of introduction, three chapters, conclusion and list of used literature. Introduction 14644 characters, chapter I 65330 characters, chapter II 54750 characters, chapter III 52497 characters, conclusion 15943 characters, reference list 15531 characters. The total volume of the dissertation consists of 229,292 characters. The volume of the dissertation consists of 203614 characters, excluding graphs, tables, diagrams and the list of used literature.

## **BASIC CONTENT OF THE DISSERTATION**

In the “**Introduction**” of the dissertation, the relevance of the topic and degree of elaboration, the object and subject of the research, the goals and objectives of the research, methods, the main propositions defended, the scientific innovation of the research, its theoretical and

practical significance, approval and application, and the overall scope of the work are explained.

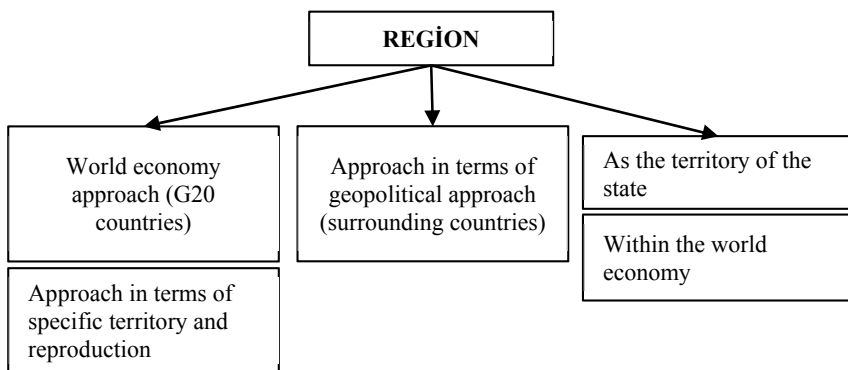
In the **first chapter of the dissertation entitled “Theoretical-methodological foundations of ensuring the efficiency of the regional economy”**, the essence of the regional economy as an important component of the country's economy, the main content elements, the concept of efficiency in the regional economy and its provision, the role of specialization in increasing the efficiency of the regional economy, etc. issues have been investigated. From the point of view of the definition of the primary regional circle, the term “region” refers to a territorial unity with a relatively similar climate, flora and fauna, geographic location, uniform production, social and market infrastructure, managed by the same government and self-governing bodies. Numerous economic-organizational, social-psychological, political-legal and geographical factors affect its formation. Russian economist-scientist O.S. Sukharev writes: *“Macroeconomic aspects of the regional economy and to some extent regional microeconomics, which was first called the economic theory of space, were formed as applied directions of economic analysis. Regional macroeconomics is directed to the study of issues of regional economic policy, proper distribution of available resources and economic activity in individual regions, mutual activity of different regions. This approach reflects more the macroeconomic analysis applied to the economy with strictly defined boundaries within a specific state.”*<sup>2</sup> One can agree with this opinion of O.S. Sukharev because a comprehensive analysis of the aspects of the regional macroeconomics allows timely detection of problems that slow down economic growth in the country and search for solutions. As a result, this will increase the level of poverty of the population living in the regions, reduce unemployment, etc. acts as the main tool in solving such global problems.

Thus, treating the concept of the region both within the framework of the world economy and as the territory of the state is considered

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<sup>2</sup> Сухарев, О.С. Региональная экономическая политика: структурный подход и инструменты // Экономика региона, 2015, №2, с. 9-23

appropriate, and this is also reflected in scheme 1. As can be seen from the scheme, if the international level approach to the concept of region includes the world economy and geopolitical approach, the national level includes the approach from the point of view of territory and reproduction.



**Scheme 1. Global (international) and local (national) approach to the region**

Here, the function of regulating the regional economy as a part of the whole national economy lies mainly on the basis of mutual relations between the regional administration bodies and the national government. The solutions to the problems investigated by the theory of regional development can be given as follows, in accordance with the approaches of regional policy from the point of view of economic theory: - a neo-Keynesian approach to regional development, which involves state regulation of interregional imbalances by stimulating public and private investments in underdeveloped regions; - the neoclassical approach to the formation of regional policy claims that regions can freely interact, trade and exchange resources, and eliminate existing differences through an unregulated market; - the theory of regionalism, which focuses on the issues of conflict of political and economic regional interests arising as a result of conflicts; - the unbalanced growth theory, which suggests that the interaction of the market increases regional differences, strengthens the wealth of some regions and the poverty of others; - a programmable approach to the development of the regional economy with investment is possible,

which in many cases corresponds to the first approach.

Region-markets operating within the defined boundaries and areas focus on the general conditions and conditions of economic activity, creating a favorable investment climate, and building a wide-segment local market. The relevant regional system, which includes market self-regulation, state regulation and social control, is often called regional marketing as a subject of study.

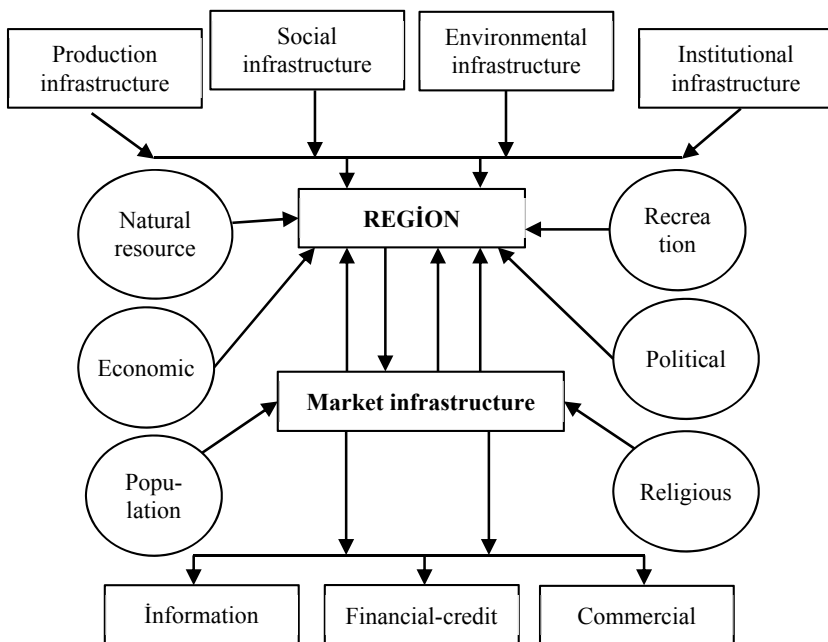
At the same time, the regional economic theory and training system is developing and includes other specializations.

The results of many studies are not always perceived in economic practice. The main goal in the efficient management of environmental security and socio-economic development of the regions is to embody the improvement of the standard of living of the population with the minimization of financial resources. Here, in effective management, the actual results should be in full agreement with the forecasts, and the decisions made should be optimal.

As can be seen from the above ideas, in the various studies that exist on the nature of the region and its economy, the indicated process is mainly the subject of the system of economic relations, the location of numerous natural and human resources, as well as the production and consumption of products and goods, as well as the concentration of various infrastructure elements that serve them. It is marked as a special area of economic activity.

It is clear from Figure 1 that the functional structure of the region consists of the main factors such as natural economic, political, resources, tourism and recreation, as well as production, social, ecological and institutional infrastructure and other market infrastructure sub-elements.

Efficiency is a concept that characterizes the ratio of the volume of economic results and the amount of resources that have passed the production process, the production of that amount of good at the minimum cost. From this point of view, efficiency is understood as a process that characterizes the ratio of the volume of economic benefits produced and the amount of resources, the production of benefits corresponding to that volume with minimum costs, as well as the production of a higher volume of products with these resources.



**Figure 1. Description of the functional structure of the region**

Rather, the increase in efficiency is the achievement of higher results with the least, minimum costs. Observations show that although efficiency is mainly formed in the sphere of material production, the efficiency indicator appears as the final result and conclusion of the production process. The growth of efficiency trends in various areas of the country's economy, including the regional economy, can be possible only when the volume of funds per unit of any product (service) decreases, and at the same time, the production of more products (services) is ensured at lower costs.

As it can be seen, the concept of efficiency is of great importance as it is considered an important and driving force of any economic activity. It is a complete and comprehensive concept in terms of economic content and essence. Thus, as a result of the proper implementation of this process, the volume of production and services increases, the speed of economic growth increases, and the scale of the

reproduction process as a whole expands. It is from this point of view that the systematization of a set of indicators reflecting the economic efficiency in the direction of determining the efficiency of both the production of products and the performed existing work and services in various spheres of production and services, as well as ensuring its continuous growth in a systematic and consistent manner investigation is necessary.

In order to organize the economy of the region more efficiently as a result of specialization, it is necessary to take into account the natural advantages of the region, as well as to use the socio-economic and natural opportunities of the regions at the maximum level, to form a radical environment corresponding to the requirements of the market economy and the principles of modern management in accordance with the level of biological productivity of the region. As it can be seen, the process of specialization has an important role in increasing the efficiency and sustainable development of the economy, including the regional economy, and the following should be determined here: the index of the degree of specialization of the region by fields; efficiency index of specialization (ratio of regional production volume per cost unit to that indicator in the country); general index of specialization (summarized form of special indicators).

**The second chapter of the dissertation is called “The modern state of ensuring the efficiency of the regional economy in Azerbaijan”.** In this chapter, the current state of the socio-economic development of the regions, the factors affecting the effective development of the regional economy are analyzed, and the purposeful measures implemented in the field of state regulation of the regional economy are included.

One of the main goals of the regional economic policy is to ensure the increase of local revenues of the state budget, which is an important quality indicator of the market economic system. Four successive State Programs on socio-economic development of the regions of the Republic of Azerbaijan have been adopted and the last one is being successfully implemented in order to scale their economic development and accelerate it on the basis of full and efficient use of existing natural and labor resources. However, our scientific studies

show that despite the scale of regional development, the revenues of most regional budgets are not adequately formed for their overall economic development. The economic success of our country in a short period of time has been recognized by the World Bank, the International Monetary Fund, etc. It was also approved by prestigious international organizations, and Azerbaijan was declared the most reforming country. In addition to all this, the examination of existing opportunities and the analysis of potential resources lead to the conclusion that the full and efficient use of the existing potential of the regions has not yet been ensured.

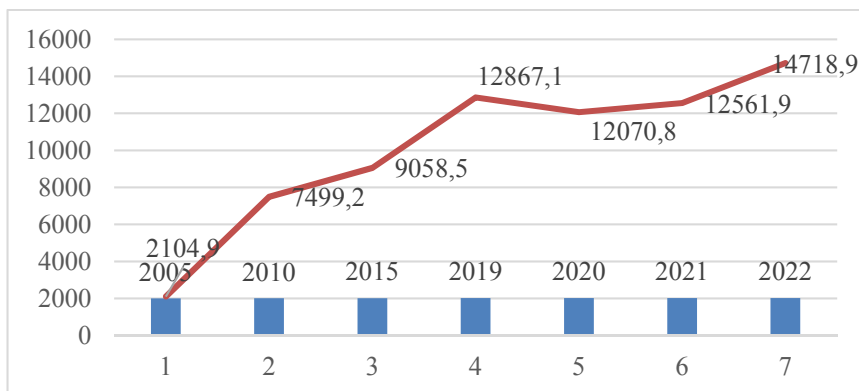
For this purpose, it would be appropriate to clarify regional resources, prepare an economic map of the region, and form an encyclopedic database for each region. The experience of developed countries also proves that it is impossible to ensure the necessary pace of development without knowing the potential opportunities of any country, as well as its individual regions, without studying its advantages, without revealing the leading directions.

The current analysis of the total volume of production in the regions of the Republic of Azerbaijan, as well as the level of production in the fields of industry, agriculture, consumer services and infrastructure shows that there are still enough opportunities for the sustainable development of various areas of activity in the economic regions. In our opinion, the fact that the manufacturing industry has a high level of labor and a certain fund capacity is of exceptional importance in fully improving the level of unemployment and effective employment of the population of the region, and in reducing the poverty level of the population. As a result of the implementation of existing programs, new industrial, agro-industrial and processing institutions were put into use in different regions of our country. In recent years, the nominal income of citizens by region in the Republic of Azerbaijan is 57181500.2 thousand manats, the total output of the product in the main economic areas is 105305.9 million manats, the industrial product is 55229080.8 thousand manats, the agricultural product is 9163378.2 thousand manats. retail trade turnover was 44217510.7 thousand manats, funds directed to the main capital amounted to 16815459 thousand manats.



The conducted analyzes show that in recent years nominal incomes of the population, total output, industrial output, volume of agricultural output, retail trade turnover, and funds directed to fixed capital have increased in the economic regions of the country.

In our country, the analysis of the volume of domestic investments directed to national economic areas by economic regions in the regions shows that if the volume of domestic investments directed to this area in 2010 is 7499.2 mln. If it was 14,718.9 manats in 2022 (Graph 1).



**Graph 1. Domestic investments directed to national economic sectors in the regions of the Republic of Azerbaijan (million manats)**

In recent years, the absolute superiority of most economic indicators still belongs to the city of Baku. Undoubtedly, in this process, it is located at the junction of all types of transport, as the largest agglomeration of not only our country, but also the Caucasus as a whole, large revenues from oil and gas fields, as well as the fact that it has an important role in the whole of Europe as one of the important cultural and sports centers, and other factors play an important role. However, the conducted research suggests that as a result of the implementation of regional state programs, certain regional economic centers are forming in the regions of our country, reflecting the unique characteristics of those areas. It is noteworthy that the main and important divisions of the non-oil sector have already started to leave Baku. For example, the presence of car

factories in the cities of Nakhchivan and Ganja, as well as international airports (together with other cities), and other important infrastructure facilities (diagnostic centers, logistics systems, etc.) suggests this.

It should be noted that in order to determine the economic efficiency in the correct form, it is important to objectively analyze the existing efficiency indicators and at the same time to correctly determine the many factors affecting them.<sup>3</sup> Because purposeful use of those factors and taking preventive and purposeful measures in this direction is one of the important attributes of modern market relations.

The study of factors influencing regional efficiency was conducted for 3 economic regions: 1) Central lowland; 2) Sheki-Zagatala; 3) Shirvan-Salyan.

As a result of a survey conducted among experts, it was determined that the factors that most affect the efficiency of the regional economy include the following:

- state of existing infrastructure in the region (X\_1);
- access to financial resources-loans (X\_2);
- invitation support to small and medium businesses (X\_3);
- innovativeness level of production (X\_4);
- unjustified interference of various institutions in business (X\_5);
- existence of imperfect competition system (X\_6);
- institutional factors (X\_7);
- human capital (X\_8).

The effectiveness of the economic development of the regions was calculated by the following formula:

$$f = \sum_{i=1}^n n_i X_i$$

Here, n- the level of significance (average specific weight) determined on the basis of expert opinions of the i-th indicator affecting regional economic development; X\_(i )- is the value given by the expert of the i-th indicator for each economic zone.

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<sup>3</sup> Чайка Л.В. Эффективность региональной экономики // Журнал Регионалистика. 2019, -№6, -с.117-125

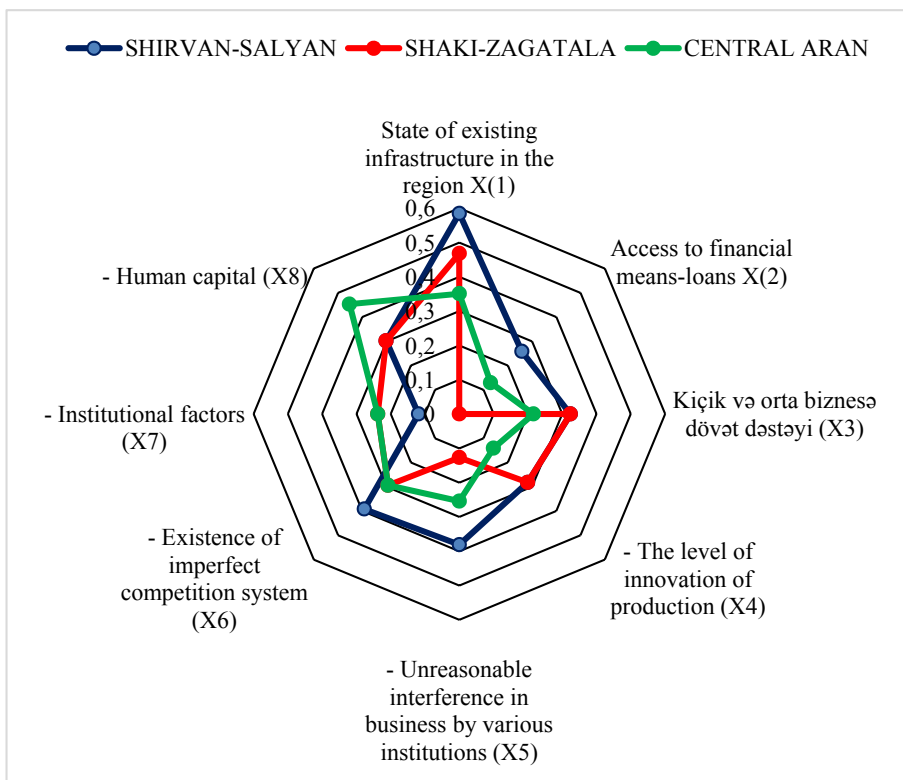
The proposed methodology was tested for the Central Aran, Sheki-Zagatala and Shirvan-Salyan economic regions for the economic region. The results of the expert assessments conducted for the Central Aran, Sheki-Zagatala and Shirvan-Salyan economic regions are given in the table below (table 1).

**Table 1.**

**Results of expert evaluations conducted on a number of economic regions**

Indicators	Shirvan-Salyan			Sheki-Zagatala			Central Aran		
	$n_i$	$X_i$	$n_i X_i$	$n_i$	$X_i$	$n_i X_i$	$n_i$	$X_i$	$n_i X_i$
$X_1$	0,117	5	0,585	0,117	4	0,468	0,117	3	0,351
$X_2$	0,129	2	0,258	0,129	2	0,258	0,129	1	0,129
$X_3$	0,108	3	0,324	0,108	3	0,324	0,108	2	0,216
$X_4$	0,141	2	0,282	0,141	2	0,282	0,141	1	0,141
$X_5$	0,127	3	0,381	0,127	1	0,127	0,127	2	0,254
$X_6$	0,098	4	0,392	0,098	3	0,294	0,098	3	0,294
$X_7$	0,119	1	0,119	0,119	2	0,238	0,119	2	0,238
$X_8$	0,151	2	0,302	0,151	2	0,302	0,151	3	0,453
$F = \sum_{i=1}^n n_i X_i$	<b>2,643</b>			<b>2,293</b>			<b>2,076</b>		

Based on the above research, as a result of the expert assessment, the average value of the economic development efficiency indicator for the studied regions was equal to 2.337. This indicates that the overall efficiency level for the studied regions is below average. In Shirvan-Salyan region, this indicator was 2,643 - moderately effective, in Sheki-Zagatala economic region, it was 2,293 - ineffective, and in the Central Aran economic region, this indicator was 2,076 - ineffective. The result of the research shows that the level of economic development in the Shirvan-Salyan economic region was moderately effective, and the level of economic development in the Sheki-Zagatala and Central Aran economic regions was low. To more clearly describe the obtained results, the following network graph was used (graph 2).



**Graph 2. Factors affecting effective economic development of regions**

$$F_{\text{mean}} = (2.643 + 2.293 + 2.076) / 3 = 2.337$$

Using this network graph, it is possible to develop scientifically based proposals and recommendations based on the results of the research on the effectiveness and sustainability of economic development for individual economic regions. The advantage of this methodology is that it can be applied to any economic region.

The main goal of the social and economic policy implemented by the state in the direction of the sustainable development of the regional economy is to achieve quality-oriented sustainable development of the non-oil sector by effectively using the existing potential of the country's regions, to further expand the existing activities of production enterprises, to stimulate export-oriented product

production, to implement social measures through its consistent implementation, it is to achieve further improvement of the population's standard of living, increasing the level of employment, especially the employment of young people living here with useful work, and ensuring the sustainable and dynamic development of the country's economy as a whole.

It should be noted that the measures of state regulation of the economic development of the regions are not based on a single theoretical concept, so they differ depending on the problems specific to each specific country. At this time, it is necessary to distinguish two groups of measures that are fundamentally different - the properties of the region's territory, for example, the improvement of infrastructure (as a synthetic indicator of economic conditions in a broad sense) and the granting of various concessions and certain privileges to investors coming to the region. According to the experience of foreign countries in this field, the current regional economic policy essentially involves the regulation of the economic development of the region by the state in such a way that inter-budgetary relations are not involved in the current budget expenditures and the reduction of territorial differences. In world practice, Spain can be cited as the only country where state regulation of regions cannot be separated as an independent direction of economic policy.

In this regard, although the market economy denies the direct intervention of the state in economic processes, at the same time it increases the role of regulatory functions. In other words, in the conditions of market relations, the regulatory functions of the state have expanded, covering separate areas of the national economy and the regional economy. That is why it is very important to organize the state regulation of regional development more effectively and to carry out relevant improvements. At present, the formation of regional policy and the development of the basis of regional development is the main direction of ensuring the positive and balanced development of the national economy. According to the conducted studies, the degree of state participation in the regulation of various economic processes and the socio-economic development of the regions is not the same in all countries. In order for the state to be able to effectively perform its

regulatory functions, it is important that it has financial resources, various means and a regulatory system, as well as the necessary experience in that field.

The regulatory functions performed directly by the state are directed to the regulation of a specific object. The objects of regulation are very broad and almost cover all aspects of socio-economic life. Even processes related to nature protection and ecology are included in the object of regulation. Therefore, the importance of state intervention in foreign economic relations is very important. The country's economy as a whole, problems of socio-economic development of regions, income distribution and redistribution, large-scale investments, financial relations, etc. numerous events and processes related to can be the object of state regulation. In addition to the objects of state regulation, there are also subjects that differ significantly from each other in terms of property relations and property ownership, their income and the level of other elements. There are many methods, methods and tools used here. Management methods are diverse and differ from each other according to their content, management object, nature of influence, and organizational forms. In the process of economic management, economic, social-psychological, administrative-organizational, legal, moral-educational methods are used.

**The third chapter of the dissertation is called “Ways of increasing the efficiency of the regional economy in Azerbaijan based on specialization”.** In this chapter, the directions of sustainable development of entrepreneurship in accordance with the specialization trends in the regions, the ways of sustainable development of the agricultural sector in the regions, the priorities of the organization of free economic zones in the regions have been studied.

As shown in the previous chapters, the sustainable development of the Republic of Azerbaijan, which is advancing confidently through effective market relations, depends greatly on the level of socio-economic development of the country's regions. Factors for the formation and normal development of entrepreneurial activity in the regional economy include numerous legal factors, economic factors, technological factors, institutional factors (development of the

banking system, information provision, etc.), natural-demographic factors (climate, type of land, condition of the raw material base, population number, composition), socio-cultural factors (level of education, religious views, moral norms) and political factors (existence of political institutions, etc.).

The regional problems and main directions of the development of entrepreneurial activity depend on the available resources of the indicated region, as well as the most efficient ways and characteristics of its main demand system.<sup>4</sup>

According to the conducted analyses, if the regional structure of entrepreneurial activity, as well as the formation of production-economic relations by types of economic activity, its special weight in the structure of the gross domestic product as an object of territorial management increases, and the role of internal resources in the development of regions increases. At the same time, creating the necessary incentives for those who are engaged in entrepreneurial activities with the status of individuals without creating a legal entity, providing them with various financial assistance, granting various types of loans, and taking into account regional differences in the financial and tax policy, plays an important role in concluding their normal business activities with income.

Micro, small and medium enterprises (SMEs) have an important weight among entrepreneurial subjects. Especially in regional conditions, these subjects are more dominant. So, since the number of employees is small, turnover and financial resources are small, their organization is more convenient. We can observe this from the table below (table 2)

The conducted analysis shows that if the number of people working in micro, small and medium enterprises across the country was 355906 on 01.01.2022, 346171 of them were micro, 6856 small, and 2,879 medium enterprises. This indicator for the city of Baku was 174,286 people, of which 167655 people were micro, 4788 small, and 1843

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<sup>4</sup> Abasova, S. Azərbaycanca sahibkarlığın inkişafı üçün əlverişli investisiya mühitü / Azərbaycan regionlarının sosial-iqtisadi inkişafı (respublika elmi praktiki konfransı) Bakı: Avropa, 2010, s.65-67

**Table 2.**

**Distribution of micro, small and medium business entities  
operating in the Republic of Azerbaijan by economic regions  
(01.01.2022)**

<b>Indicators</b>	<b>Total</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
On the Republic	355906	346171	6856	2879
Baku	174286	167655	4788	1843
Absheron-Khizi economic district	32477	31804	478	195
Ganja-Dashkasan iqtis. district	17078	16825	167	86
Sheki-Zagatala economic district	16955	16675	183	97
Lankaran-Astara route. district	19938	19704	164	70
Guba-Khachmaz economic district	12462	12248	136	78
Central Aran economic district	15702	15434	178	90
Karabakh economic district	13679	13498	129	52
Nagorno-Karabakh Shirvan economic district	7518	7405	76	37
Nakhchivan MR	8357	8064	173	120
Gazakh-Tovuz economic district	14354	14155	129	70
Mil-Mugan economic district	10422	10253	112	57
East-Zangazur economic district	1587	1537	38	12
Shirvan-Salyan economic district	11091	10914	105	72

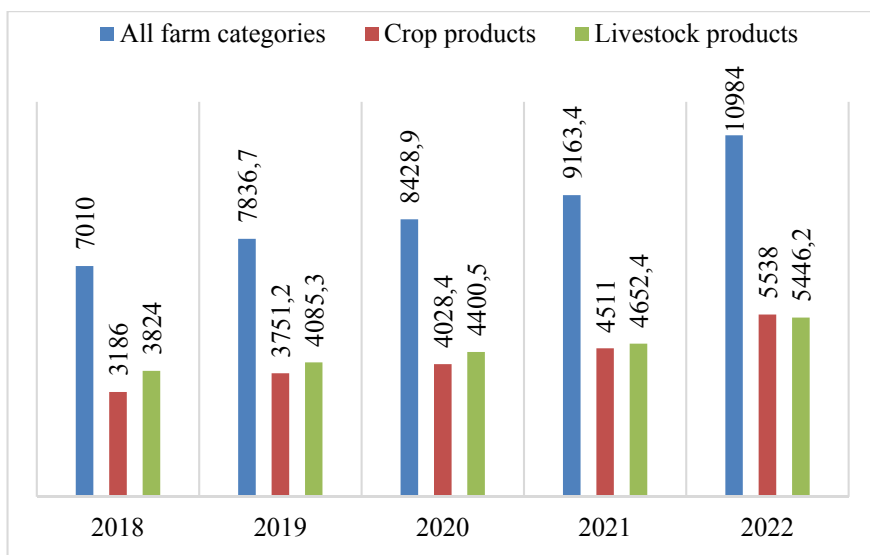
medium enterprises. In addition, there were 327477 people in the Absheron-Khizi economic region, 8357 people in the Nakhchivan Autonomous Republic, 13679 people in the Karabakh economic region, and 1587 people in the East-Zangezur economic region. The conducted analysis shows that in recent years, the number of people working in micro, small and medium enterprises in the economic regions of our country has been increasing.

The main reason for this is the increase in the number of private enterprises of this type in the regions. Although the current economic indicators in the field of entrepreneurship have changed mainly in favor of the regions, it takes a lot of time and a purposeful approach to eliminate the big differences between the city of Baku and the regions.



Sustainable development of the agricultural sector, which is one of the most important and priority areas of the country's economy, especially the non-oil sector, is of great importance. However, from the point of view of regional development, this process is particularly relevant today. The directions of development of agriculture and animal husbandry, which are the main agricultural units in the economy of the vast majority of the country's regions, are wide and varied. It is possible to grow all products in the agrarian economy areas of our country, which has mysterious natural and climatic conditions. In the mid-90s of the last century, agrarian reforms were carried out in our country, and agricultural lands were given to private ownership. This has created wide opportunities for producers to grow any products.

The analysis of the indicators of the total product of the agricultural sector by farm categories in the Republic of Azerbaijan shows that in 2018, 7010 mln. if the total production of manat was realized, in 2022 this indicator will increase to 10984.2 million. was manat (graph 3).



**Graph 3. 2.1. Production of agricultural products in our country in recent years volume change dynamics (in million manats)**

*Source: Compiled by the author based on the data of ARDSK.*

As a result of effective measures taken in the field of agricultural development in the regions of Azerbaijan, a continuous increase in economic indicators was recorded in this field. The incomes of entrepreneurs operating in the agricultural sector in the country have also increased. Export opportunities of agricultural business entities to foreign countries, and the level of employment of citizens in the agricultural sector in the regions have also increased.

In the development of regions, it is necessary to ensure the activity of the agricultural sector and food security. Ensuring food security in the regions is the main condition for providing the country's population with reliable food and agricultural products. In addition, the development of the agricultural sector and the provision of food security have a serious impact on the provision of economic sustainability.

Observations and analyzes show that in the current situation, the formation and development of modern agrarian relations in the country's economy, including the regional economy, is extremely important. In our opinion, at this time, more priority should be given to the replacement of imported products with local production areas, provision of extensive financial assistance to SMEs engaged in such activities, as well as further expansion of the list of necessary measures in the field of leasing, insurance, information services network formation, competitive environment in the agribusiness system. strengthening etc. it is necessary to take targeted measures.

Studies show that there are great opportunities for the development of agriculture, tourism, industry and entrepreneurship in general in the liberated territories. Valuable suggestions have been made by the plaintiff in this chapter on the maximum effective use of these opportunities.

In this chapter, it was concluded that the creation of Free Economic Zones (FEZs) would activate the specialization of Azerbaijan's regions and, on this basis, would give a substantial impetus to increase the efficiency of production. From this point of view, one of the main directions in the creation of a free economic zone in Azerbaijan, especially in the border regions, is the creation of such a free zone on the border of the Republic of Dagestan of the Russian Federation, in

the area called Red Bridge with the Republic of Georgia in the Gazakh region, and on the border of Iran and Saderak in the Nakhchivan MR. Agreements have been drawn up with the Republic of Dagestan in many areas, and relations have been expanded. The experience of Azerbaijan on the Free Economic Zone (the activity of the Alat Free Economic Zone) shows that these institutions will be created by the relevant executive authority and will directly control its activities. The creation of such SEZ gives a great impetus to the activation of investment activity, employment and, in general, the development of the economy. It is known that economic zones act as an important and modern economic element for countries that aim to join the international economic system through rapid economic reforms. At the same time, it encourages the faster development of certain regions within the country and creates conditions for the attraction of foreign financial and investment flows.

**The “Conclusion”** section of the dissertation contains methodological and practical suggestions and recommendations that can increase the efficiency of the socio-economic development and specialization of the regions. We summarize some of them:

1. A comprehensive and comprehensive study of the existing structure of the regional economy should be carried out in terms of multi-faceted, including natural-resource, economic, social, spiritual, institutional, organizational, management, futurological and other numerous directions.

2. The concept of efficiency in the regional economy and the investigation of ways to ensure it are also of great importance. Thus, the concept of economic efficiency as a special category has an important economic content, and the issues of its improvement have a great content.

3. Of course, the role and importance of the specialization process in the process of increasing efficiency trends in the regional economy is also high. In accordance with the acceleration of specialization trends and development at the level of the prescribed parameters, we propose the implementation of the following measures: - determination of the potential opportunities of regional specialization

and purposeful realization of strategic planning; - forecasting of socio-economic development trends in accordance with specialization trends in regions.

4. Purposeful measures implemented in the field of state regulation of the regional economy show that in addition to the steps taken in this direction, the implementation of the following measures is also commendable: - regulation of socio-economic development in regional conditions in a purposeful manner and in accordance with the interests of the state; - elimination of existing disproportion cases between regions continuation of targeted actions; - implementation of effective regulatory measures on state-owned natural resources and means of production in the regions.

5. As can be seen from the analysis of the current state of socio-economic development of the regions of the Republic of Azerbaijan, the measures implemented in this area require the rapid development of agro-industry, tourism and other areas that have a positive effect on the employment level of the region's population.

6. Sustainable development of entrepreneurial activity in accordance with specialization trends in the regions is considered one of the most important issues in modern conditions. We consider it appropriate to carry out the following measures in the indicated direction: -stimulating and rapid development of the existing entrepreneurial activity in terms of creating new jobs in the regions and strengthening the economic potential; - freeing various economic activities from monopolistic shackles and creating conditions for the formation of a fair competitive environment.

7. It is appropriate to take numerous measures in the direction of the sustainable development of the agricultural sector, which is considered one of the most important and priority areas of the regional economy, especially the continuation of quality-oriented and modernization measures.

8. Studies show that there are great opportunities for the development of agriculture, tourism, industry and entrepreneurship in general in the liberated territories.

9. In our opinion, the expansion of Free Economic Zones (FEZs) would activate the specialization of Azerbaijan's regions and, on this

basis, would give a substantial impetus to increase the efficiency of production. The establishment of such SEZ will greatly support the activation of investment activity, employment and, in general, the development of the economy.

**The main provisions of the dissertation work, the obtained results and proposals are reflected in the following published works of the author:**

1. Theoretical and methodological foundations for ensuring the effectiveness of regional economy. // – Moscow: Economics and Entrepreneurship. – 2016, No. 7. – pp.238-241
2. The role and place of specialization in increasing the efficiency of the regional economy. // – Baku: “Cooperation”, – 2017, No. 1(44). - pp. 12-16
3. Creation of special economic zones in the Azerbaijan Republic and their regional characteristics. // – St. Petersburg: “Global scientific potential”. – 2017, No. 2(71). – pp.52-55
4. The concept of efficiency in the regional economy and directions for its provision. // – Baku: Azerbaijan National Academy of Sciences Institute of Economics. Scientific Works. – 2017, No. 1. - pp. 284-288.
5. On issues of improving the financial provision of regional development. // – Baku: “Cooperation”, -2018, No. 2(49). - pp. 215-223.
6. Issues of improving the socio-economic development of the regions. // – Baku: News of ANAS, Economic sciences series. – 2019, No. 2. - pp. 81-86.
7. The main directions of ensuring economic development in the regions. // “Personality, society, state: modern approaches to mutual relations”. Materials of the Republican scientific conference, Mingachevir: MSU. - 2019, - pp. 386-388.
8. Social-economic development policy of regions in the Azerbaijan republic realities and perspectives. // International scientific-practical conference. - Dnipro: - 2019. December 14, - pp. 7-10.

9. Issues of effective regulation of modern regional policy. // Materials of the scientific-theoretical conference dedicated to the 98th anniversary of the birth of H. Aliyev, the national leader of the Azerbaijani people, "The historic victory we won in the Patriotic War is the celebration of Heydar Aliyev's policy" - Mingachevir: MSU, - 2021. May 4, - pp. 205-207.



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