

# REPUBLIC OF AZERBAIJAN

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## ABSTRACT

of the dissertation for the degree of Doctor of Sciences

### **DEVELOPMENT DIRECTIONS OF SMALL AND MEDIUM ENTREPRENEURSHIP IN THE AGRIBUSINESS SECTOR**

Speciality: 5308.01 – “General economy”

Field of science: Economic sciences

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## INTRODUCTION

**Research issue rationale and development rate.** At the current stage of development of the economy of Azerbaijan, the priority of the economic policy implemented by the state is the intensive implementation of economic reforms that will stimulate the development of business entities, which are the most important elements of the market economy. In this direction, organizing the organized activities of small and medium business entities, especially in the agricultural sector, which is one of the areas that need state protection and support, is considered one of the most important issues. The changes in the global food markets have determined the sustainable development of small and medium enterprises (SMEs), which are the main development indicators of the agricultural sector, and made it necessary to further expand the competitive environment in the consumer market. The destructive manifestations that have occurred in the global economic conjuncture in the last few years have made the intensive implementation of the diversification process in the economy of national states somewhat more urgent, which is directly related to the development of SMEs.

In the current economic conditions, the diversification and development of the non-oil sector is the priority of the economic policy of the Azerbaijan state. Large-scale state programs implemented by the government in recent years have directly served this purpose. However, we must admit that compared to developed countries, the added value created by SMEs for the economy of Azerbaijan is currently not at the desired level. In addition to the current development parameters of the country's economy, we can say that the formation of these and other indicators is influenced by the processes taking place at the geopolitical and global level.

According to some researchers, the development of SMEs in countries transitioning to a liberal economic system accelerates the process of balanced integration into the world economy by playing an important role in continuously increasing GDP production, diversifying the sources of financing budget revenues and reducing unemployment. At the same time, SMEs have a positive effect on raising the standard

of living of the population and increasing monetary income. In addition to the socio-economic importance of SMEs, the fact that they have a dynamic mechanism that can increase their competitiveness in the fields of production makes them one of the important elements in the realization of economic goals both in local markets and internationally. The important role of small and medium enterprises in the economy is mainly related to its characteristics.

Currently, in our republic, the agrarian sector and the economic subjects operating within it, especially the farms included in the SME category, are the focus of the state's attention. The high level of prospects for the development of agrarian entrepreneurship, especially in the territories freed from occupation, highlights the need for state support of SMEs. Also, due to the impact of the pandemic, the decrease in economic activity in different areas of the economy, including the sphere of agrarian entrepreneurship, further increases the need to implement measures related to the development of SMEs. In this aspect and in accordance with the requirements of the Law of the Republic of Azerbaijan "On Special Economic Zones", which includes the creation and management of new economic zones, the main task facing the agrarian policy is to improve food security based on the formation of a competitive agribusiness sector with an improved structure in the country and in each economic zone. strengthening, improving the standard of living in rural areas and achieving effective integration of the country's agrarian sector into the world market.

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The agrarian field, which is one of the strategic areas, and the increase in the production potential of farms in agribusiness, which is considered its constituent element, is closely related to the development of SMEs. Because almost 90% of the enterprises operating in the field belong to this category. In this regard, the signing of the Decree by the President of the country Mr. Ilham Aliyev dated August 1, 2018 "On improving the mechanism of state support for the development of entrepreneurship in the Republic of Azerbaijan" should be considered as an important political step taken in the direction of the development of SMEs in our republic. At the same time, the "I State Program on the Great Return to the Territories Freed from Occupation of the Republic of Azerbaijan" also stipulates "stimulation of economic growth based on public-private partnership and provision of sustainable settlement".<sup>1</sup> We believe that the highlighted issues reflect that the research is devoted to a rather relevant topic.

In recent years, there has been an increase in the interest of scientists and researchers in researching the development of small and medium enterprises in the agribusiness sector both in our republic and abroad. Azerbaijani scientists Z. A. Samadzade, A. A. Nadirov, E. A. Guliyev, B. Kh. Atashov, I. H. Ibrahimov, I. V. Ahmadov, R. B. Aliyev, A. Kh. Nuriyev, V. T. Novruzov, S. V. Salahov, V. M. Niftullayev, A. F. Abbasov, E.A. Ibrahimov, I.H. Aliyev, Kh.M. Huseynova, Y.K. Kalbiyev, A.Ch. Verdiyev, S.I. Valiyeva, I.Sh. Garayev, as well as L.I. Abalkin, S.V. Alekseyev, N.G. scientists from the post-Soviet space. The researches of Agurbash, N.T.Balabanov, A.O.Blinov, P.V.Zabelin, N.K.Moiseyeva, I.N.Gerchikova, A.Y.Yudanov, M.B.Shepakin and many others served as the methodological basis for the presented dissertation, in the study of the theoretical aspects of the development of small and medium

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<sup>1</sup> <https://e-qanun.az/framework/52757>

enterprises in agribusiness have made an important contribution. A. Hosking, Y. Schumpeter, D.K. Galbraith, P. Samuelson, J. Keynes, P. Hayne, K. McConnell and S. Brew, A.A. Thompson and A.C. Strickland, M.E. Porter, I.M. Kirsner from the USA and Western European scientists and the works of other authors played an important role in increasing the quality of this dissertation.

However, most of the research works of the listed authors are devoted to the elaboration of the general and methodological foundations of entrepreneurship or a specific direction of development, the formation and development of small and medium entrepreneurship in agribusiness in the field of production, sales, services and financial provision has not yet been sufficiently studied as an independent economic problem. In addition, the organizational-economic and socio-economic problems of entrepreneurship have not been sufficiently covered, the necessary conditions and mechanisms for entrepreneurship in the production field have not been comprehensively studied.

The urgency and acuteness of the problem of development of entrepreneurship in the agribusiness sphere in general and small and medium entrepreneurship in particular, as well as insufficient clarification of the importance of macro and micro economic mechanisms affecting the efficiency of agrarian entrepreneurship played an important role in the selection of this dissertation topic.

**Object and subject of research.** The research object is entrepreneurial subjects operating in the agribusiness sector of the Republic of Azerbaijan. The subject of the research is socio-economic relations that arise in the process of development of small and medium entrepreneurship in the agribusiness sector, laws, means and methods of increasing the efficiency of entrepreneurship.

**Aims and objectives of the research.** The purpose of the study is to develop a conceptual approach for the formation of an organizational-economic environment that creates conditions for the activation of SMEs in agribusiness, which is one of the strategic areas of the economy, and to determine the main directions of increasing its efficiency.

The purpose of the study determined the need to set and solve the following main tasks:

- to reveal the socio-economic nature and main characteristics of small and medium-sized entrepreneurship in the field of agribusiness;
- to analyze the general aspects of the specifics of small and medium-sized business entities operating in agriculture;
- to determine the specific characteristics of entrepreneurial activity in the agricultural sector;
- to study the factors that make the development of small and medium enterprises in the agribusiness sector a necessity;
- to study the problems of entrepreneurship in the agribusiness sphere at the modern stage of development of the country's economy and to study its influence on the formation of market relations in our country and the growth of the economy;
- to study the main directions of stimulation of small and medium entrepreneurship in the agribusiness sector;
- to determine the impact of structural changes in agricultural production on the economic efficiency of production under the conditions of entrepreneurship development;
- to assess the possibility of adapting the most effective methods of assistance to entrepreneurship to entrepreneurial activity in the conditions of Azerbaijan based on comparative studies analyzing approaches to the efficiency of agrarian entrepreneurship;
- to justify the necessity of formation of logistics systems and innovation infrastructure in agribusiness;
- to reveal the impact of the development of small and medium enterprises in the agribusiness sector on the structure of the labor market;
- to justify the need to increase investment attractiveness in the development of agribusiness and SMEs;
- to study the factors determining the efficiency of small and medium-sized business activity in agribusiness and, taking into account the need for competition, to evaluate the role of these factors in the formation of its management mechanism;
- to give the current situation of the agribusiness sector in our republic and its complex analysis;

- to determine directions for expansion of market access possibilities of SMEs in agribusiness, regulation of production-sales relations;
- to analyze the priorities of increasing the export potential of SMEs in agribusiness and the directions of strengthening financial provision;
- study of the economic mechanisms of state support for entrepreneurial activity and their main directions;
- creation of the necessary legal framework to ensure favorable activity of business entities;
- preparation of scientifically based proposals for improvement of the existing legislative framework.

**Research methods.** As the main research tools, observation, grouping, economic-statistical, system-structural, system-functional, factor and comparative analysis methods were used in a complex manner.

**Basic theses for defense.** The main provisions submitted to the defense are characterized by the following:

- one of the important conditions is to determine the general provisions regarding the scientific-theoretical bases of the formation of entrepreneurship in the agricultural field and the institutional aspects of the development of entrepreneurship;
- it is necessary to reveal the factors that make the development of small and medium entrepreneurship a necessity in the agribusiness sphere, and the impact on the development of the agrarian sector as a whole;
- determination of the role of small and medium-sized business entities in the socio-economic development of the regions in increasing the competitiveness of the agrarian sector should be in the focus;
- attention should be paid to assessing the impact of structural changes in agricultural production on the economic efficiency of production by determining the main directions of stimulation of small and medium entrepreneurship;
- assessment of the current state of production in the agribusiness sector, development prospects of small and medium enterprises,



as well as indicators characterizing the activity of small and medium enterprises should be considered important;

- it is important to assess the level of meeting the demand for agricultural field products and determine the effect of entrepreneurial activity on meeting this demand;
- it is important to justify the necessity of forming logistics systems and innovation infrastructure in agobusiness and the role of creating clusters in the development of SMEs;
- assessment of the impact of the development of small and medium enterprises on the structure of the labor market and the need to increase investment attractiveness should be justified;
- directions for increasing the economic efficiency of SMEs in the agribusiness sector and expansion of market access opportunities should be considered important;
- priorities for increasing the export potential of SMEs in agribusiness, directions for strengthening the financial support of small and medium-sized business entities should be determined;
- prospects of increasing the share of small and medium enterprises in the country's economy should be revealed.

**Scientific novelty of the research.** The scientific novelty of the research consists in the justification of the conceptual approach to the formation of the entrepreneurial environment and the justification of the main directions of increasing its efficiency as an important factor of the rapid development of the perspective areas of the economy from a strategic point of view.

The scientific innovations of the work include:

- the expediency of applying the structural experience of the entrepreneurial environment in the agribusiness sector, which is used in countries with a developed market economy, as a methodological basis in our country, taking into account the specifics of the formation of the market economy;
- a methodological approach to the multi-factor assessment of the efficiency of entrepreneurship in the field of material production has been developed;
- factors affecting the intensity of small and medium entrepreneurship in agribusiness, its efficiency and

accompanying risks were revealed, as well as the impact of entrepreneurship at the current stage of development of the country's economy was evaluated;

- it was determined that the introduction of socially oriented market mechanisms is necessary to increase the social efficiency of entrepreneurship, and the state should assume the role of regulator and creator of those mechanisms;
- the concept of formation of effective entrepreneurship conditions, which includes the detection of factors hindering entrepreneurial activity, and determines the methods of regulation through tax, tariff, financial-credit and investment policy that stimulates the development of entrepreneurship by the state, has been developed;
- the methodology of evaluating the efficiency of the management managing the entrepreneurial entity working in the field of material production is provided;
- as an important factor of increasing the efficiency of entrepreneurship, the directions of quality improvement of its personnel potential were justified, the requirements put forward regarding the degree of qualification of entrepreneurs in the market environment were formed, and a comprehensive approach to the development of entrepreneurship was developed in accordance with these requirements;
- it has been proven that the substantiation of the structural-functional organization of the modern competition mechanism enables the development of an effective state assistance policy for entrepreneurship in the field of agribusiness, the implementation of measures to increase its competitiveness, and the creation of a highly developed entrepreneurship and competitive environment in Azerbaijan;
- A new scientific-methodical approach has been developed, which allows organizing the internal monitoring of the activity of agribusiness enterprises and choosing the directions for improvement of its internal mechanisms in a justified way.

**Theoretical and practical significance of the research.** The methodological provisions of the study can support the improvement of

the theoretical aspects of the development of small and medium enterprises in agribusiness and the efficiency problem, as a concrete contribution of the author to the theory of entrepreneurship. The results and practical recommendations obtained in the dissertation can be useful during the development and implementation of state regulation of entrepreneurial activity and entrepreneurship development assistance programs by legislative and executive bodies, and stimulation of its most priority development directions in terms of the country's strategic interests. In addition, the results of the research can be used in educational programs for training highly qualified entrepreneurs.

**Approbation and implementation.** The main provisions and main results of the research work have been reflected in prestigious local and foreign journals, as well as in the materials of republican and international scientific-practical conferences. The main provisions of the dissertation work are reflected in 15 articles, 5 of which are abroad, and 9 conference materials, 4 of which are abroad. Apart from these, in 2021, the author's monograph entitled "The main aspects of the development of small and medium enterprises in agribusiness" was published.

Conference materials include "Specific systematic approach to management decision-making" (Baku, 2014), "Role of agricultural business in ensuring quality production of the market in Azerbaijan" (Minsk, 2017), "Difficulties faced by small and medium entrepreneurs" in the agribusiness sector of the Republic of Azerbaijan and ways to overcome them" (Austria, 2021), "Role of small and medium enterprises in the development of regions of Azerbaijan" (Moscow, 2022) . During the research, the author also wrote "The role of agricultural production in the development of agro-processing enterprises" (Baku, 2015), "The current state and prospects for the development of small and medium-sized enterprises in the Republic of Azerbaijan" (July, 2016), "Prioritized directions of state support for small and medium-sized enterprises in agrarian sector of Azerbaijan Republic" (Moscow, 2018), "Factors influencing the development of entrepreneurs production and sales relationships in the agribusiness sector of the republic of Azerbaijan" (Vienna, 2019), "Modern aspects of the formation and development of logistics systems and innovation infrastructure in agribusiness" ( Baku, 2023) articles were published.

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

**The total volume of the dissertation with a sign indicating the volume of the structural sections of the dissertation separately.**

The research paper consists of an introduction, five chapters, conclusions, and a list of used literature. There are 26 tables, 11 pictures, 6 schemes, 3 diagrams, 2 graphs. The introduction consists of 17475 characters, chapter I 86554 characters, chapter II 79741 characters, chapter III 50866 characters, chapter IV 79701 characters, chapter V 89757 characters, conclusion 11367 characters, and the bibliography 34448 characters. The total volume of the dissertation is 474720 marks. The mark number of the dissertation is 415461, excluding tables, graphs, and the list of used literature.

## **BASIC CONTENT OF THE DISSERTATION**

In the **Introductory part** of the dissertation, the relevance of the topic is substantiated, the goals and objectives of the research, methods are characterized, the main propositions defended are explained, the scientific innovations, theoretical-practical significance and approval of the work are reflected.

In the first chapter of the dissertation entitled "**Scientific-theoretical foundations of the formation and development of small and medium entrepreneurship in the agribusiness sector**" specific features of entrepreneurial activity in the agrarian sector in modern economic conditions, institutional foundations of the formation of small and medium entrepreneurship in the agribusiness sector, factors that make the development of small and medium entrepreneurship in the agribusiness sector a necessity has been interpreted.

Together with the purposeful reforms carried out in the direction of ensuring the main principles of the market economy in our republic, the entrepreneurship strategy has covered all spheres of activity and the main nuances of its development characteristics have emerged. Especially in the agricultural sector, which is characterized by the need for state patronage and support, the sustainability and development directions of entrepreneurial activity differed fundamentally compared

to other areas of the economy. In this aspect, the formation and development of the production structure of the agrarian sector in the last twenty years depended more on the level of investments. It is no coincidence that in recent years, the opportunities for the development of small and medium-sized farms have significantly increased in agriculture, which has embarked on its development path based on investments. In the relevant period, the state played an important role in the development of all production subjects, especially small and medium-sized farms, which are pioneers in the production of competitive products, which need more support and protection in the agricultural field. The sustainable development of the agricultural sector has been the focus of attention at all stages of the country's economy, especially the activity of entrepreneurs has always been the focus of the state. In the words of the great leader, "*... a large part of the economy is in the hands of entrepreneurs, and their efficient work is a factor that ensures the development of the economy of Azerbaijan.*"<sup>2</sup>

Currently, the main goal of the agrarian policy implemented by the state is to diversify the economy and ensure the comprehensive development of all forms of entrepreneurship. In the conditions of free economic relations, the state regulation of the activities of business entities should be carried out mainly through economic methods. For this, it is of particular importance to develop the conceptual scientific-theoretical bases of the state's economic regulation policy and adapt it to local conditions. Regulation of entrepreneurial activity by economic means is primarily the improvement of the business and investment environment and the implementation of state assistance to entrepreneurial subjects. Financial markets, including the infrastructure system, market activity, competition environment and improvement of the antimonopoly mechanism are influenced by the activation of macro-economic regulation tools.

Azerbaijan's prominent economist-scientist Academician Z.A. Samadzade in his speeches emphasized that agriculture has a leading role in the development of the non-oil sector, increasing the

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<sup>2</sup> İsa Aliyev. Heydər Əliyev və Azərbaycanın iqtisadi inkişaf strategiyası // Xalq qəzeti – 2010, 16 may. – s. 1.

competitiveness and export orientation of the products of that field and turning it into a sphere that brings more foreign currency, state support of entrepreneurial activity in economic regions and he noted the stimulation, the provision of concessional loans to business entities and their effective use, the further activation of banks in the development of the real sector and indicated the directions of its realization. Improving the entrepreneurship and investment environment, first of all, creates favorable conditions for ensuring sustainable economic development and strengthening the special weight of local production in the domestic market. From this point of view, it is mutually related to the formation of effective mutual relations between business and state structures in the society, creation of favorable conditions for private entrepreneurial activity, attraction of foreign capital to local production sectors, expansion of effective macroeconomic regulation mechanisms<sup>3</sup>.

Ensuring the normal functioning of entrepreneurial activity in the agribusiness sector of Azerbaijan is directly related to the formation and development of a favorable and free business environment. Thus, in the conditions of market relations, all the detailed subjects in the agrarian field do not operate in a gradual environment, but in a free business environment, in mutual dependence (unity), which determines the independent place and position of each of them.

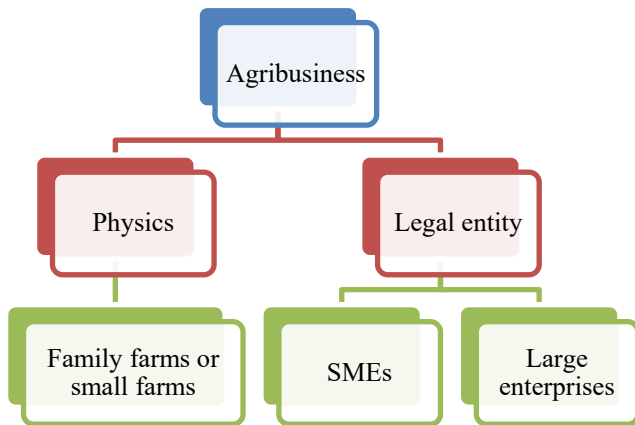
For the normal course of small and medium business activity in the agribusiness sector of the republic, a decisive economic policy should be implemented, and in recent years, very important, scientifically based steps have been taken in this direction by our state. In entrepreneurial activity, the political environment has a direct impact on the socio-economic situation of the country, the activity and positions of economic subjects. The development of entrepreneurship, being one of the main directions of the economic policy of the state in Azerbaijan, is considered an important factor in solving economic and social problems in the country and strengthening microeconomic stability in the society. For this purpose, the achievement of political and microeconomic stability in Azerbaijan in recent years has created a

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<sup>3</sup> Samadzade, Z.A. Economy of Azerbaijan in 100 years (in 4 volumes) / Z.A. Samadzade. - Baku, 2022.

favorable environment for the development of entrepreneurship.

The development of entrepreneurship in agriculture has unique characteristics compared to other areas of the economy. Of course, all this comes from the sectoral structure of the economy, as well as the specific characteristics of agriculture. As it is known, agriculture is a field that depends on natural climatic conditions, as well as it cannot react effectively to unfavorable manifestations of internal and external competition. From this point of view, entrepreneurial activity in agriculture has its own characteristics. These features are primarily related to the fact that leaving agriculture in its full meaning to the market self-regulation mechanism can ultimately have a negative impact on the development of entrepreneurship. Therefore, it is important to neutralize the harmful effects of numerous internal and external environmental factors that have a negative impact on the development of entrepreneurship in agriculture. In the agribusiness sector, there is an influence of certain factors characteristic of legal status and measurement criteria on the activity of business entities.



**Scheme 1. Classification of business entities in the agribusiness sector according to legal status and size criterion**

*Source: Compiled by the author.*

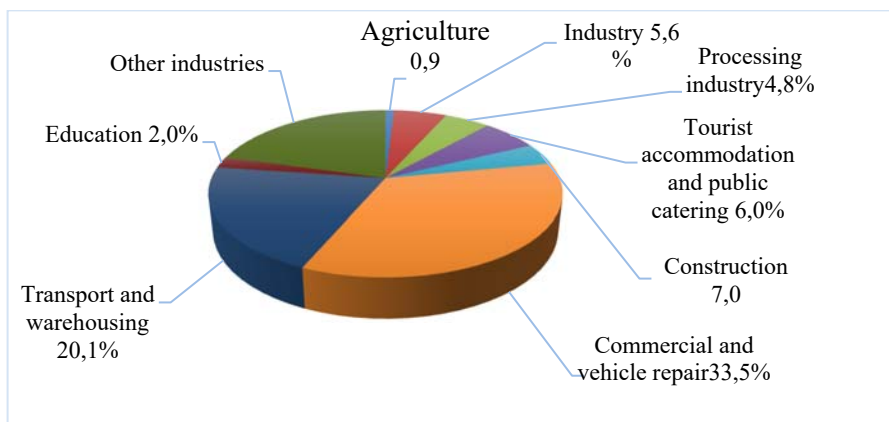
It is in such conditions that the necessary economic and organizational mechanisms for the development of entrepreneurial

activity in agriculture should be formed. Rather, the organizational and economic mechanisms of entrepreneurial activity in agriculture should first of all be directed to the state regulation of agriculture within the framework of the state's agrarian policy. The economic and organizational mechanisms of entrepreneurial activity in agriculture should be based on the effective implementation of the direct and indirect influence mechanisms of state regulation, and at the same time, the processes of regulating agricultural food markets should also be implemented. It is possible to apply to the economic mechanisms of the development of entrepreneurial activity in agriculture, primarily price, financial-credit mechanisms, tax and customs mechanisms. One of the most important aspects characterizing the economic mechanism of entrepreneurial activity in agriculture is that these processes have an almost indirect effect on the development of entrepreneurial activity as a whole. Indirect means of influence are first of all accompanied by not violating the fundamental principles of the market self-regulation mechanism. Economic mechanisms are continuously used in the experience of developed countries. The economic mechanisms of entrepreneurial activity in agriculture are primarily based on the protection of the economic aspects of entrepreneurship and the economic stimulation of producers.

The development of SMEs in Azerbaijan is important in terms of economic diversification, employment, meeting the demand for local consumer goods at the expense of local capabilities, eliminating dependence on imports and achieving sustainable economic growth. In this aspect, it is necessary to evaluate the activity of SMEs as one of the priorities in the context of the general development of entrepreneurship. Today, the main focus of the state in the Republic of Azerbaijan is to create conditions for the development of small and medium entrepreneurship in the non-oil sector, especially in the field of agriculture and trade, and thereby achieve diversification of the economy. The basis of economic diversification for our republic is the creation and stimulation of a suitable environment for entrepreneurship for several reasons. The first one consists of the important effects of the unstable price of oil and gas, which is the main development factor of Azerbaijan's economy, on the country's



economy due to the influence of political and economic factors that have occurred in the world markets in recent years. The second is the need for SMEs, which are of special importance for the sustainable development of the non-oil sector, to fully satisfy domestic demand, stimulate exports, and evaluate possible alternatives to the oil sector at an optimal level.

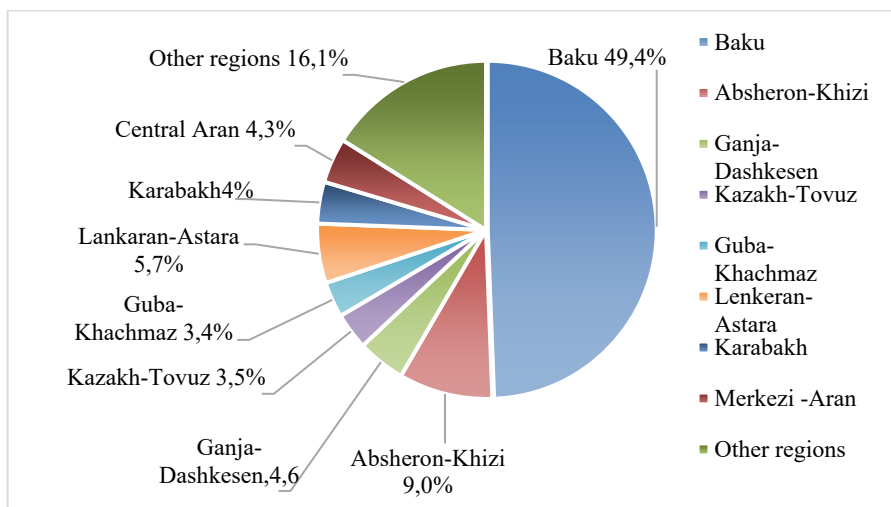


**Figure 1. The structure of the number of micro, small and medium enterprises in the Republic of Azerbaijan in 2022 by economic sectors**

*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.*

It is known from the research that the largest share in the distribution of micro, small and medium business entities by economic sectors is reflected in retail trade. However, 33.5% of small entrepreneurs are concentrated in this field of activity. One of the main reasons for this is that the production potential is somewhat weak and other areas in the country's economy develop more poorly than consumption areas. Along with the mentioned reasons, we believe that especially in the field of retail trade, weak monopolistic tendencies, lack of high demand for initial capital, and in connection with these, the fact that ordinary subjects engaged in entrepreneurial activities in the field of trade have wider competitive opportunities play an important role here. After the retail sector, SMEs are 5.6% in the

industrial sector, 7.0% in the construction sector, 4.0% in the manufacturing industry, 2.0% in education, 6.0% in tourist accommodation and catering, 20% in transport and warehousing, 1% operates in other fields, 22.9%. In the modern stage of development of the country's economy, entrepreneurs in agriculture, which received special attention, had only 1% special weight in this structure.



**Figure 2. Distribution of micro, small and medium business entities in Azerbaijan by economic regions in 2022**

*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az), prepared by the author based on his data.*

It is known from the researches that approximately half of the small and medium business entities existing in our republic are operating in the city of Baku. Thus, 49.4% of SMEs in this structure are in Baku; 4.3% in Central Aran; 3.4% in Guba-Khachmaz, 4.6% in Ganja-Dashkasan, 5.7% in Lankaran-Astara; 3.5% continue their activities in the Gazakh-Tovuz economic region, and 4.0% in the Karabakh economic region.

The development of the modern market system, first of all, characterizes the effective functioning of entrepreneurial institutions in the market competitive environment. Effective functioning of entrepreneurial entities is, of course, characterized by the results of

production and economic activity. the high financial results of the extensive reproduction process, or rather, the efficient operation of business entities operating in the production and service fields, as well as in the sales sphere, gives an additional incentive to expand their fields of activity, first of all. It should be noted that although entrepreneurship has a different potential for each country, the laws determined in the direction of its development are the same or largely similar. We believe that at the current stage, when reducing the dependence on the oil factor in the country's economy, taking advantage of the experience of the countries of the world, especially the countries that are considered advanced in this field, can be important in terms of creating high added value while ensuring the diversification of the country's economy.

In the second chapter called "**The importance of the development of small and medium entrepreneurship in terms of the diversification of the country's economy**", the role of small and medium entrepreneurship in the socio-economic development of regions, the role of small and medium entrepreneurship in increasing the competitiveness of the agricultural sector, the main directions of stimulation of small and medium entrepreneurship in the agribusiness sector and the development of entrepreneurship structural changes in agricultural production and its impact on the economic efficiency of production are evaluated.

The macroeconomic stability achieved in our country in recent years has determined effective policy directions aimed at the socio-economic development of the regions by our state. After the adoption of a number of State Programs on the socio-economic development of the regions, a considerable progress has been made in the creation of the production and social infrastructure system in the regions. In the corresponding period, the creation of enterprises capable of producing competitive products was a priority of the regional policy of the state. As it is known, the creation of local competitive production enterprises in the country affects both the satisfaction of the domestic demand of the country and the increase of the export potential.

One of the main directions of the regional policy of the state is balanced and comprehensive development of entrepreneurship. Further

expansion of the activities of small and medium enterprises is of great importance in the provision of sustainable economic development in the state program. In accordance with the State Program, it is planned to further increase the amount of funds allocated from the state budget for the development of small and medium enterprises. In recent years, large projects will be financed through the state investment company for the development of entrepreneurship in individual regions, and special attention has been paid to the provision of concessional loans through the national entrepreneurship support fund. Effective use of the specified state funds has created a favorable environment for the all-round development of all types of entrepreneurship (production, commerce, innovation, venture, finance, etc.).

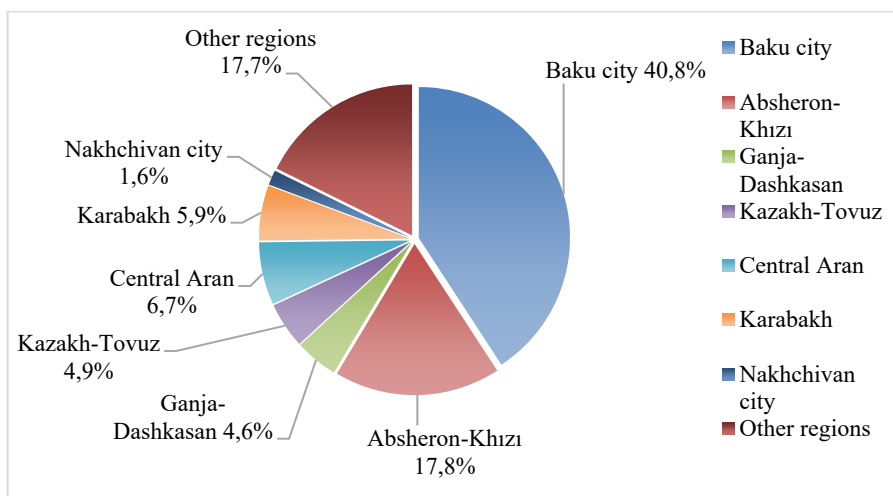
Although substantial progress and dynamic growth in accordance with the requirements and principles of the "State Program for the Socio-Economic Development of the Regions of the Republic of Azerbaijan in 2019-2023" have been shown, a number of suggestions and recommendations should be taken into account in order to use the priority advantages of the economy more efficiently in the future. may be considered appropriate:

- measures taken in the direction of SME development in all economic regions of the republic should be strengthened;
- more priority should be given to the state policy aimed at the formation of the regional infrastructure system and increasing the employment level of the population;
- a favorable investment environment should be created to attract investors to the regions and organize their efficient activities in order to strengthen the activities of SMEs;
- special attention should be paid to the creation of Free Economic Zones (FEZs) in order to stimulate the development of regional entrepreneurship;
- ensuring regional economic security should form the main line of the state's regional policy, etc.

For most entrepreneurs in the regions, there are certain difficulties in selling the products produced. The highlighted points are more typical for business entities operating in the agricultural sector. Thus, the fact that the economic entities operating in the field mainly belong

to the category of small and medium enterprises is also characterized by their existing inadequacies in financial provision. This, in turn, prevents them from forming a more professional activity structure and allocating sufficient attention and financial resources for market research.

Expanding the activity of small and medium business entities in the regions is necessary to create favorable conditions for the health of the economy. That is, the formation of a competitive environment promotes the efficient use of local raw materials and ensures the development of labor-intensive areas. According to some researchers, the development of SMEs in the countries transitioning to the market economy system accelerates the process of integration into the new economy by playing an important role in the continuous increase of the production of the gross domestic product, the formation of tax revenues of the budget and the reduction of the unemployment level, and has a positive effect on raising the standard of living of the population and increasing monetary income.



**Figure 3. The structure of the output of micro, small and medium business entities in agriculture, forestry and fishing activities in the Republic of Azerbaijan in 2022 by economic regions**

*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.*

One of the most important goals of the economic policy implemented in modern economic conditions is to meet domestic demand at the expense of local production capabilities and to increase the export potential by increasing the competitiveness of local production. It is from this point of view that in recent years, necessary steps have been taken by our state in order to increase the alternatives of the oil sector and increase the share of various sectors of the economy in the structure of exports. In particular, the measures implemented in the direction of increasing the economic activity of business entities, which are the main driving force of the market economy, and forming the mechanisms that will encourage them, can be evaluated from this aspect.

World experience shows that in order to ensure a competitive activity mechanism of the agro-processing sector, it is first necessary to create market structures in a progressive and balanced form. This, in turn, is the creation of finance-credit, pricing, mechanisms, long-term forecasts, taxation, state regulation of the agro-processing sector, creation of an efficient insurance system, state aid to the development of the agro-processing sector, the formation of foreign export relations, etc. it is required to be built on the basis of market economy principles.

Enterprises in European Union member countries are classified according to the number of employees, annual turnover and balance sheet. However, the status of the enterprise does not change if the enterprises pass the specified criteria within the specified period. Apprentices or students working in companies in the European Union are not considered employees. The criteria of employees include "employees, persons who work for the enterprise and are considered employees according to national legislation, entrepreneur-managers and partners who regularly operate in the enterprise and benefit from the financial benefits of the enterprise."<sup>4</sup>

Supporting entrepreneurship and business activity in the agricultural field has a positive effect on the development of other fields. Thus, the comprehensive development of all areas of the country's economy, the establishment of the operation of domestic and

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<sup>4</sup> Klapper, F.L. Small and Medium Size Enterprise Financing in Eastern Europe, Worldbank, 2017. - 687 pp

foreign markets based on the principle of efficiency, the satisfaction of the population's demand for necessary food products, and the consistent structural policy in the agricultural sphere are the strategic lines of the state's agrarian policy.

The formation of an efficient system of state support for small and medium enterprises is of great importance for the country's economy. SMEs provide conditions for raising the standard of living of wide classes, create new jobs and produce necessary products and services for the society, and at the same time act as consumers of various products and have an important impact on the economic development of the country and its regions. The realization of the economic potential of small enterprises depends more on the possibilities and conditions of their financing.

We should note that the signing of the decree by the President of the country, Mr. Ilham Aliyev, dated August 1, 2018, "On the improvement of the mechanism of state support for the development of entrepreneurship in the Republic of Azerbaijan", should be considered as an important political step taken in the direction of the development of SMEs in our republic. We can say with certainty that the implementation of the requirements of this decree will improve the support mechanism for the development of entrepreneurship, the creation of new production, processing and infrastructure enterprises based on innovative technologies in the non-oil sector, the financing of export operations, the acceleration of investments in the real sector and the financial resources of economic entities operating in the private sector. will create a favorable basis for the expansion of access opportunities.

Researches show that, along with other factors, structural changes in agriculture are also important in ensuring the efficiency of production in the agrarian field. Therefore, when implementing structural changes in agriculture, all aspects of it should be thoroughly studied, opportunities should be properly evaluated taking into account the realities. In this regard, the regulatory policy of the state is extremely important. In general, the regulatory role of the state is particularly important in terms of protecting the country's economy from the negative effects of internal and external destructive factors, and creating order in the economy and other spheres of social life. A

number of factors make state regulation in the agricultural field necessary.

Structural changes in various directions occurring in the agrarian sector make determining the level of influence of each field on economic development one of the important issues. In the current economic reality, it is natural that production areas are tried to adapt to market demand. However, there are also cases where the production of field products demanded by the market in some cases does not ensure the economic profit of the producer, and sometimes does not correspond to the strategic interests of the country. Taking into account a number of problems currently existing in the agrarian department of the republic (the use of production means, the low level of management, lack of financial resources, specialized personnel, etc.), the determination of the fields that are in the economic interests of the country becomes one of the necessary issues.

The third chapter is devoted to "**Development level of the agribusiness sector: analysis of economic indicators of small and medium business activity**". In this chapter, the current state of production in the agrobusiness sector, the development prospects of small and medium entrepreneurship are analyzed, the dynamics of indicators characterizing the activity of small and medium entrepreneurship and the level of meeting the demand for agricultural field products in the country are determined.

In the current economic conditions, the resource potential in the production areas of our country has increased slightly, and the opportunities for competitive product production have increased significantly compared to previous years. It should be noted that this great success, which has become a trend in the economy of our country in recent years, has slightly increased the probability of realizing positive forecasts for the future. One of the important issues in this direction is to achieve economic diversification and to slightly reduce the specific weight of the oil factor in the economy in the context of the development of other production areas. In this aspect, we can say that the possibilities of agribusiness, which is of strategic importance, have increased even more. It is no coincidence that in recent years, ensuring the development of the agribusiness sector, which has grown



in importance for the country's economy, and small and medium-sized business entities operating within it, has been the priority of the socio-economic policy implemented by the state. In the corresponding period, an institutional environment was formed that accelerated the development of entrepreneurial activity, which is the main attribute of the market economy, in order to eliminate dependence on one area in the country's economy. This, in turn, has created a favorable ground for the modernization of production areas based on the application of modern technologies, the opening of new jobs, the increase in the need for personnel in accordance with the requirements of the time in the labor market, and consequently, the rise of the non-oil sector.

In the corresponding period, the process of formation of certain connections and relations between the newly created forms of economy has been expanded and gradually increased its economic efficiency. These processes have also manifested themselves in agribusiness, which is one of the important areas of the economy. As a result of the purposeful measures implemented, in the last ten years, the value of agricultural products in all economic categories has increased. Thus, compared to 2010, in 2022, a 2.8-fold increase in the production of agricultural products for all farm categories was recorded. In the corresponding period, 2.8-fold increase in crop production and 2.9-fold increase in animal husbandry attracted attention in all economic categories. It should be noted that a high growth rate of 2.8 times was recorded for individual entrepreneurs and family farms in the comparable period (table 1).

In the current economic conditions, the diversification and development of the non-oil sector is one of the priorities in the development plans of the state of Azerbaijan. Large-scale state programs implemented by the government in recent years have directly served this purpose. However, we must admit that compared to developed countries, the added value created by SMEs for the economy of Azerbaijan is currently not at the desired level. It is not correct to accept the existence of these indicators completely unambiguously. Thus, the current indicators are consistent with the current development trends of the country's economy, as well as with the influence of a number of geopolitical and global processes. We believe that above all

the mentioned issues, the level of impact of the oil factor on the country's economy and the high proportion of large enterprises in GDP production should be evaluated as the main factors that cause small and medium enterprises to be relatively overshadowed.

**Table 1**

**Production of agricultural products by economic categories in the Republic of Azerbaijan (at actual current prices, million manats)**

Indicators	Years						In 2022 compared to 2010, increase (+) decrease (-)
	2010	2015	2018	2020	2021	2022	
Total for all economy categories	3877,7	5635,3	7010,0	8428,9	9163,4	10984,2	+ 2,8 dəfə
Plant growing	1999,2	2761,1	3186,0	4028,4	4511,0	5538,0	+ 2,8 dəfə
Animal husbandry	1878,5	2874,2	3824,0	4400,5	4652,4	5446,2	+ 2,9 dəfə
In agricultural enterprises and other organizations: Total	192,6	410,1	660,9	834,5	885,9	1094,0	+5,6 dəfə
Plant growing	60,0	132,5	262,1	438,3	467,3	509,2	+8,5 dəfə
Animal husbandry	132,6	277,6	398,8	396,2	418,6	584,8	+4,4 dəfə
Individual entrepreneurs, family farmers and households: Total	3685,1	5225,2	6349,1	7594,4	8277,5	9890,2	+2,7 dəfə
Plant growing	1939,2	2628,6	2923,9	3590,1	4043,7	5028,8	+2,6 dəfə
Animal husbandry	1745,9	2596,6	3425,2	4004,3	4233,8	4861,4	+2,8 dəfə

*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.*

Improving the efficiency of small and medium enterprises in agribusiness is a multifaceted problem, and its solution depends on a complex combination of economic, social and institutional factors. In the 20 years after the independence of the Republic of Azerbaijan, the stage of transition from the administrative system to the market economy caused a complex situation in agriculture, and in the last ten years, the problems that arose have been eliminated to a certain extent, and the economic indicators in the field have entered a relatively upward phase<sup>5</sup>. In addition to these processes, we should not emphasize that agriculture and the subjects operating within it always need protection and support regardless of the level of economic development and the characteristics of economic relations in other areas. The development of small business, which is determined by its unique characteristics, is impossible without state support and state regulation.

Research shows that in 2010, there were 186,898 small business entities in all sectors of the economy in the Republic of Azerbaijan. In 2014, the number of small business entities increased by approximately 21 thousand 521 compared to 2013. However, this indicator is 9.8% less than the data of 2010. Research shows that the development of macroeconomic indicators in Azerbaijan in recent years has been reflected in the statistical data of small business entities. Thus, in 2022, compared to 2010, the average monthly nominal salary of small business entities increased by 89.6%. The added value created increased by 90.2%, and the amount of investments directed to production and fixed capital increased by 96.3%. In the corresponding period, the social efficiency of small economic entities also increased significantly (table 2).

Currently, the state aims to ensure the increase in the number and quality of small enterprises in the industries with greater science and innovation capacity of the existing structure. However, it can be assumed that the economic trends revealed as a result of the analysis for small business entities are consistent for medium business. Currently,

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<sup>5</sup> Atashov, B.Kh. Structural and efficiency problems in the agricultural field / B.Kh. Atashov. - Baku: Kooperasiya, - 2017. - 536 p.

**Table 2**

**The main macro-economic indicators of small business entities in the Republic of Azerbaijan**

Indicators	Years					2010-cu illə müqayisədə 2022-ci ildə % lə
	2010	2019	2020	2021	2022	
Added value created, million manats	1466,2	1423,2	1617,9	2384,3	2.796,1	190,2
Average annual number of employees, thousand people	109,0	85,1	92,1	102,2	104,8	96,1
Average monthly nominal salary, manat	303,5	437,0	533,8	528,2	575,6	189,6
Investments in fixed assets, million manats	486,5	494,2	380,4	892,7	955,1	196,3

*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.*

in the context of the development of the non-oil sector in our country, diversification of the economy is considered an important task. During this diversification, it is important to identify the main leading sectors of the economy. According to our opinion, agriculture, construction and tourism can be attributed to the main leading sectors (more labor-intensive sectors) in which small and medium-sized business entities can operate efficiently in Azerbaijan.

At the current stage of the country's economy, the development of small and medium-sized enterprises in agriculture also contributes positively to the improvement of food supply. We can point out that the improvement of food supply directly depends on the creation of favorable conditions for the development of entrepreneurial organizations operating in agriculture. As is known, in the system of providing the population with food products, the issues of stimulation

of production and protection of the internal market are of particular importance. This is due to the fact that local commodity producers are not able to respond to the specific characteristics of the market mechanism as a whole, in terms of the specific characteristics of the field, including the high level of risks, the natural-climatic factor playing a sufficient role.

### Cədvəl 3

#### Level of self-sufficiency with basic food products in Azerbaijan, (in %)

Products	Years						
	2015	2016	2017	2018	2020	2021	2022
Total grains	64,5	63,8	66,3	74,1	68,1	73,7	69,0
wheat	54,8	52,9	58,1	64,8	57,1	61,5	56,7
barley	95,1	101,7	94,4	103,1	94,6	101,9	101,2
corn	54,1	71,1	70,7	82,7	86,6	93,6	78,0
oats	93,1	85,7	90,1	89,2	86,6	88,5	87,2
other types of cereals	6,3	32,0	20,4	82,3	93,9	26,7	21,7
Legumes	69,3	68,4	73,7	72,0	60,3	56,4	61,5
Potato	89,1	85,5	89,2	90,8	90,6	88,8	89,0
All kinds of vegetables	103,4	105,4	115,2	115,0	110,4	106,6	106,8
Watermelon products	100,0	100,2	100,2	99,7	100,8	102,6	103,2
Fruits and berries	113,7	116,4	122,4	123,2	116,3	122,9	123,9
Grapes	93,1	89,2	93,4	92,5	95,8	94,4	94,8
All kinds of cattle and poultry	91,8	92,4	84,7	82,7	84,5	86,4	86,0
beef and meat products	92,6	86,3	86,3	85,1	87,4	91,9	93,0
sheep (goat) meat and meat products	98,5	97,7	98,0	98,1	84,5	98,2	97,0
poultry and meat products	87,8	98,5	79,7	75,9	79,0	79,6	74,6
Milk and milk products	72,5	76,0	86,1	86,7	83,5	84,8	78,5
Eggs	96,2	100,0	100,5	101,5	100,0	99,1	83,3

Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.

As a result of the purposeful reforms carried out by our state in the agricultural field in recent years, positive results have been recorded regarding food supply, which is considered one of the most urgent problems. As a result of our research, it was found that in 2022, in our country, 101.2% in the production of barley, 103.2% in melon products; 106.3% in all types of vegetable products; domestic demand was fully met with a self-sufficiency level of 123.9% in fruit and clay fruit production. In other products, 56.7% in wheat production; 78% in corn production; 79% self-sufficiency level was achieved in potato production. The level of self-sufficiency in meat and dairy products is 93% in beef and meat products; and in sheep and goat meat, 97.0% was paid by domestic production. Of course, despite the achieved positive indicators, still approximately 25% of food agricultural products are imported from many countries, especially the CIS.

In order to improve food supply, effective solutions to the sales problems of agricultural commodity producers should be provided, food market infrastructures should be formed in this direction, wholesale markets, as well as agricultural product sales exchanges, storage chambers should be created. The experience of developed countries shows that raising the level of self-sufficiency of the population with food products, which is one of the most important indicators of the food supply system, also requires the improvement of the food exchange system.<sup>6</sup>

The food supply system is considered as a rather macroeconomic problem. This is due to the fact that the lack of flexible protection of the internal market in the food supply system leads to the country's dependence on food imports. It is the result of this that in some cases, the increase in the prices of food products in the world market does not leave the country's food market unaffected. In particular, the role of imported food products in meeting the needs of food products is significantly high. This causes price fluctuations in the food market and the population to buy food products at a high price. Therefore, in order to effectively protect the local food market from fluctuations in

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<sup>6</sup> Qarayev, İ.Ş. Aqrobiznes və ərzaq təhlükəsizliyi. Dərslük / İ.Ş.Qarayev – Bakı: İqtisad Universiteti Nəş, – 2015. – s. 76-80.

the global food market, it is important to achieve development in areas that replace imports. The political importance of agriculture is characterized by the fact that the contradictions that may arise in the society in the background of the shortage of food products and the sudden price increase in the consumer market lead to the disruption of civil peace and stability in every country. The strategic importance of agriculture is characterized by its directly acting as an important, or rather irreplaceable, sphere of material production in ensuring the food independence of the state.

The fourth chapter is entitled “**Organizational and economic problems of the development of small and medium enterprises in the agribusiness sector**”. In this chapter, the necessity of the formation of logistics systems and innovation infrastructure in agrobusiness, the role of creating clusters in the agribusiness sector in the development of SMEs, the impact of the development of small and medium enterprises in the agribusiness sector on the structure of the labor market, the necessity of increasing the attractiveness of investment in the development of agribusiness and SMEs are substantiated.

Infrastructure has always been considered one of the important factors in the development of agriculture. World experience shows that in order to ensure the effective development mechanism of agribusiness, it is first necessary to create market structures in a progressive and balanced form. Logistics is the most important part of the supply chain. In fact, logistics is an important stage of the supply chain that plans and manages the efficient flow and storage of products, services and related information from production to consumption. The main goal of logistics activity is to increase the profit of the enterprise, ensure competitive advantage and customer satisfaction by delivering products or services (raw materials, semi-finished products and auxiliary materials) when necessary, under the most suitable conditions, at the lowest price and at the most appropriate time.

Increasing the innovation tendencies of economic subjects in the agribusiness sector makes it necessary to strengthen the relations between small and medium business subjects and large state enterprises and private farms. Based on the mentioned issues, the creation of clusters as an important organizational structure that

encourages the expansion of production capabilities and the development of economic entities can be important in the field. Clusters - formed by the location of related and complementary activities operating in the same or similar sector in a certain geographical region, sharing a common infrastructure, technology, a single market, labor force and services, and having opportunities for establishing mutual trade relations, communication and mutual dialogue. are systems consisting of entrepreneurial subjects. Clusters essentially provide conditions for both competition and cooperation between small and medium-sized enterprises.

When identifying areas with greater competitive advantage for cluster development, the direction of the cluster should be determined first. Creation of the conceptual basis of staffing of the cluster activity requires the solution of conceptual issues such as strengthening motivation at all educational levels, preparation of high educational standards, formation of adequate information provision with cluster development in educational centers, creation of an efficient interaction mechanism between employers and educational institutions. In order to form an effective mechanism for the implementation of the scientific and technical policy, the nature of the relationship between that policy and the competitiveness of the country should be clarified, the mechanism of state patronage for scientific research centers (including higher education institutions) should be improved, effective mutual relations should be created between them and the enterprises of the cluster, and scientific research should be encouraged in the institutions belonging to the cluster. mechanism should be formed for<sup>7</sup>.

In the current economic conditions, increasing the share of the non-oil sector in GDP production by achieving economic diversification in our republic is the priority of the economic policy implemented by the state. In this aspect, supporting the business environment, regardless of the economic areas, provides the infrastructure that will ensure the development of small and medium entrepreneurship, and the

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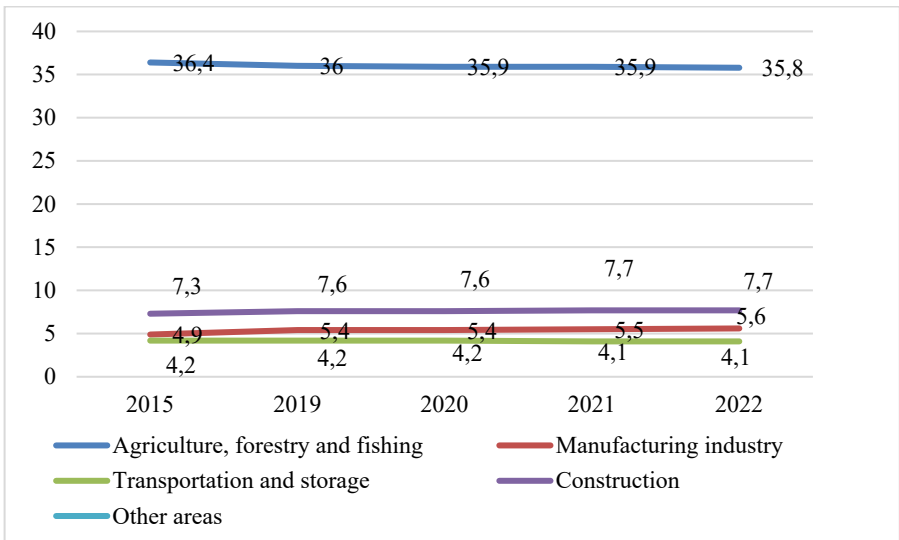
<sup>7</sup> Quliyev, E.A. Etibarlı ərzaq təminatında kooperasiya və inteqrasiya problemləri. Monoqrafiya. Bakı: Elm”, 2013, 151.



promotion of competitive production in the agribusiness sector as one of the strategic areas.

In modern times, the activity of SMEs is widely influenced by all the rules existing in the labor market and the regulation policy implemented by the state. Thus, all the decisions made regarding increasing employment, strengthening human capital and the labor market directly affect SMEs. A similar situation is typical for the agribusiness sector, where SMEs are the most widespread.

Currently, a large part of the economically active population in the labor market is engaged in agriculture. There has been no change in this indicator from the period of independence to the present day. Researches show that in the last 20 years, the employed population working in the agricultural sector made up 35-40% of the economically active population of the country. The corresponding indicator was 35.8% in 2022. However, the level of labor productivity in the field is not very high.



**Graph 1. Distribution of the employed population in the Republic of Azerbaijan by types of economic activity, in %**

Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.

The fact that the economic subjects operating in the agricultural field mainly belong to the category of small and medium-sized businesses indicates their insufficiency of their ability to obtain the large amount of funds required for the field. Supporting small and medium-sized enterprises in the agricultural sector not only serves to increase the production capacity of entrepreneurs, but also promotes the growth of a sector that accounts for approximately 40% of the labor resources in the country, which is an extremely important issue from the socio-economic point of view.<sup>8</sup>

At the moment, in terms of ensuring food safety, which is one of the main problems at the global level, necessary measures are being taken in the direction of the development of the agribusiness sector in the developed countries of the world, and multifaceted investment programs are the basis of these measures. In this regard, the state has implemented purposeful measures in the last twenty years in our republic, and the process is being continued today on an increasing scale. In this aspect, the investment policy carried out by each state has become more important and has manifested its important features. As it is known, in times of crises and emergency situations, the most affected by these negative trends are mostly small and medium-sized economic institutions. Despite the negative trends, the improvement of the infrastructure provision of the agribusiness sector, the increase of the financial stability of small and entrepreneurial business entities, conditions the increase of investments in terms of increasing the economic security of the country. It is known from the researches that in the world experience, the level of application of innovation in the fields of agricultural production has a special weight as one of the main elements of modernization. Our republic lags far behind these trends. Only one fact can be noted that in 2019, 617.8 million manats were invested in the rural economy, which accounted for 4.1% of the total investment in fixed capital in the national economy. During the years 2010-2020, the specific weight of investments in agriculture did not exceed the maximum of 4.4% of total investments. In order to improve

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<sup>8</sup> İbrahimov, İ.H. Aqrar sahənin iqtisadiyyatı. Monoqrafiya / İ.H.İbrahimov – Bakı, 2016.

food supply, effective solutions to the sales problems of agricultural commodity producers should be provided, food market infrastructures should be formed in this direction, wholesale markets, as well as Agricultural product sales exchanges and storage chambers should be created. The experience of developed countries shows that raising the level of self-sufficiency of the population with food products, which is one of the most important indicators of the food supply system, also requires the improvement of the food exchange system.

**Table 4.**

**Dynamics of investments in agriculture in the Republic of Azerbaijan**

Years	Investments focused on fixed capital		Agriculture, hunting and forestry	
	Million manats	Specific gravity, in percent	Million manats	Specific gravity, in percent
2005	5769.8	100	40.6	0.7
2010	9905.7	100	431	4,4
2015	16772,8	100	325,1	2,1
2017	17430,3	100	617,8	3,5
2018	17244,9	100	764,4	4,4
2019	18539,5	100	769,5	4,2
2020	17 226,1	100	520,6	3,0
2021	16815,5	100	341,9	2,0
2022	17878,2	100	408,0	2.3
In 2022 compared to 2005, in %	3,1 times	x	10,0 times	x
In 2022 compared to 2021, in %	106,3	x	119,3	x

*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.*

It is known from the researches that in the world experience, the level of application of innovation in the fields of agricultural production has a special weight as one of the main elements of modernization. Our republic lags far behind these trends. Only one fact can be noted that in 2022, 17,878.2 million manats were invested in the rural economy, which made up 4.1% of the total investment in fixed capital in the

national economy. During the years 2015-2022, the specific weight of investments in agriculture did not exceed a maximum of 3.5% in total investments.

Improving the investment policy in the agribusiness sector should be approached from a macroeconomic point of view. It should be taken into account that the activation of investment activity creates conditions for increasing the competitive production capabilities of the field, meeting the domestic consumption demand, and increasing the special weight of the agricultural sector in the production of GDP in the country. Investments in the agricultural sector also play an important role in meeting the infrastructure needs of the sector. In particular, it is a very difficult issue to obtain material resources, which play an important role in the development of agricultural production, and to establish infrastructure services such as technoparks and agroparks at the expense of entrepreneurs' personal resources. In this regard, investments that play a role in improving the production infrastructure of the agricultural sector in all states, regardless of the level of development, are carried out directly by the state.

Increasing the efficiency of state aid to agribusiness requires the implementation of targeted investment programs. For this, the volume of investments necessary for the production of agricultural products should be determined and the required investment resources should be directed to the field. One of the important conditions for the successful implementation of targeted investment programs is the strengthening of control over the prices of electricity, water and other communal resources. Of course, all this is considered the main resource for reducing the costs of product production. All these, in turn, can play an important role in achieving price parity between agricultural and industrial products. The experience of developed countries shows that the creation of favorable conditions for the sustainable growth of local production begins with the realization of investment processes. Rather, investment processes should be carried out in areas that direct final consumer demand.

The conducted studies show that the necessary organizational and institutional programs should be implemented to increase investments in the agribusiness sector. the implementation of organizational-

institutional programs in the agribusiness sector should be conditioned by the expansion of land resources at the disposal of landowners. The expansion of land resources makes the creation of cooperative farms a necessity. Of course, all this can play an important role in the development of integration relations between commodity producers and processing enterprises, as well as in increasing investments in agriculture. From this point of view, in order to attract foreign investors, special importance should be given to the expansion of land resources, or rather, to the creation of large economic entities.

From the conducted research, it can be concluded that in order to ensure sustainable development in the agribusiness sector in the country, it is important to activate the investment policy of the state and, in addition, to improve the financial results in agriculture, or to increase the specific weight of local production in the domestic market due to the implementation of targeted financing programs. and necessary measures should be taken to ensure the export of competitive products to foreign markets, which will play an extremely important role in terms of increasing the competitiveness of the agricultural sector.

In the fifth chapter, **"Priority directions for the development of small and medium enterprises in the agribusiness sector"** are defined, directions for increasing the economic efficiency of the activities of SMEs in the agribusiness sector, expansion of market access opportunities for SMEs in the agribusiness sector, regulation of production-sales relations, priorities for increasing the export potential of SMEs in the agribusiness sector, directions for strengthening the financial support of small and medium-sized business subjects in agribusiness and the prospects of increasing the share of small and medium-sized businesses in the economy of Azerbaijan defined in the Strategic Road Map are reflected.

When characterizing the economic efficiency of production under the conditions of the development of entrepreneurship, first of all, the opportunities of entrepreneurial institutions to operate effectively should be investigated. It should be noted that the effect of any activity, first of all, reflects the result of the implementation of that activity, and the value expression includes the amount of profit obtained in exchange for the cost spent. The economic efficiency of

agricultural production means obtaining a high amount of profit due to low expenditure on product production. Of course, all this depends significantly on the changes in the market situation. Despite the fact that the economic efficiency of agricultural products was determined on the basis of that criterion in the previous economic system, the level of prices in the market was determined in an almost fixed manner, and this did not create such a need for economic subjects operating in agriculture to study the market.

The level of use of the marketing tool plays an important role in the development of the economic activity of entrepreneurial organizations operating in the agricultural field. As it is known, the organization of marketing service is of particular importance in connection with the transition to market relations, and the marketing service includes the necessary service sphere at all stages from the product to the delivery from producers to consumers. This service is important in terms of ensuring the interests of both producers and consumers. Effective organization of marketing service, taking into account the demand for this or that product, creates favorable conditions for the effective realization of the manufactured product.

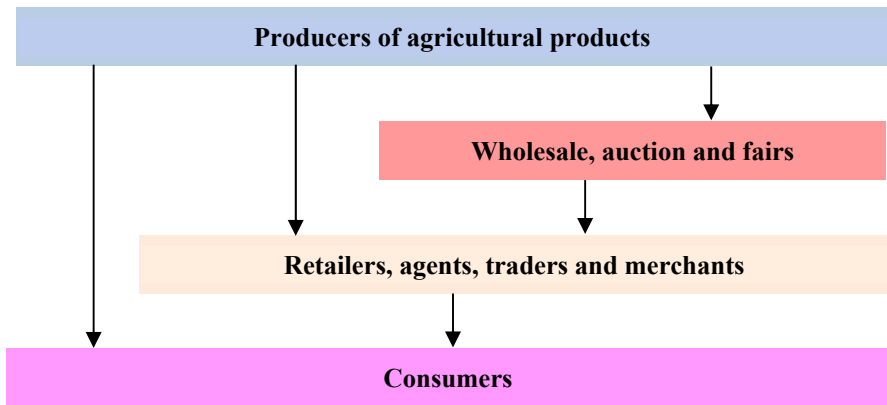
From the point of view of organization of marketing service, regional strategy also has an important role. The regional strategy, basically, allows to realize the demand of consumers for these or other products on time and within a specific space. When forming the regional strategy in developed countries, the optimal scheme for the delivery of agricultural products from producers to consumers is chosen, and that scheme, basically, covers the areas related to transportation, storage, and transportation of products to consumers in a timely and high-quality manner. ensures delivery. The most important of the problems faced by the producers of agricultural goods related to the organization of marketing service is ensuring the continuous movement of those products in the domestic and foreign markets.

In the agribusiness system, each commodity circulation has its own characteristics, which determine the characteristics of planning, organization and control of the physical movement of goods from places of production to places of use.

The boundaries of the food complex are characterized by the interaction of the following subjects:

- 1) agricultural entities that organize the reserves of food products produced by large rural enterprises, cooperatives and entrepreneurs on the basis of a diversified production structure;
- 2) processing industry entities that supply food products;
- 3) subjects of the production infrastructure that realize potential use value by organizing transport, supply, container facilities and at the same time retail sale of products to the final consumer.

The distribution of products in agribusiness operates as a certain system, which is more clearly reflected in the following figure (scheme 2.). Producers direct the product either directly to the consumer or carry out sales through certain intermediaries.



**Scheme 2. Product distribution system in the agribusiness system**

*Source: Compiled by the author.*

One of the most important nuances of commercial activity in agribusiness is the sale of raw materials and finished products, which ensures the continuity of the reproduction process, the regulation of the production cycle according to the parameters of market needs, and meeting the demand for high-quality goods. The effectiveness of sales activities depends greatly on the organization of distribution and promotion of products in various markets.

At the current stage of development of the country's economy, one of the most important attributes that spurs the development of agribusiness, which is one of the strategic areas, is the price factor and its formation on scientific grounds and the provision of an efficient operation mechanism. The price mechanism is the main economic tool that affects social and economic development in the country as a whole.

In order to justify the levels of prices from a scientific point of view, first of all, the market situation should be deeply analyzed, the prices of existing competitors and the price system they use should be studied, and in general, the influence of all market factors should be taken into account. At this time, the trend of production development, the level of the structure of production costs, the demand for products and their quality properties, environmental health, etc., are in perspective. Such factors should not be overlooked. Complete and reliable information services are one of the important issues for the scientific justification of price levels. Proper justification of price levels depending on the reliability and completeness of that information is one of the important issues.

Studies show that in 2022, compared to 2010, the price of grain has increased by 89.7%, the price of raw cotton by 99.4%, the price of potatoes by 58.5%, and the price of cotton by 65.9%. It should be noted that in the comparable period, only the price of wool decreased by 17.2%. Analyses show that the sale price of livestock products per 1 centner has increased significantly in the corresponding period. Thus, compared to 2010, in 2022, the selling price of poultry meat increased by 88.7%, eggs by 89.4%, and the selling price of cattle and sheep meat increased by 2.2 times (table 5).

One of the important directions in the regulation of agricultural prices of the state is the creation of a guaranteed selling price mechanism for the purchase of commodity products. This direction lays the groundwork for increasing the material interest of producers to increase the amount of production, and for the formation of consumer opportunities in accordance with the purchasing power of consumers. We believe that agribusiness, with its unique characteristics, is one of the areas that needs special support and protection from the state. One of the important tools in this aspect is



**Table 5.**

**The main agriculture in the Republic of Azerbaijan  
the tendency of the level of sales prices of products to change  
(in manat per 1 centner)**

Products	2010	2015	2018	2020	2021	2022	In 2022 compared to 2010, in %
Cereal plants	24,79	23,96	26,68	34,16	38,48	47,05	189,7
Raw cotton	39,27	41,82	62,82	63,30	69,79	78,22	199,4
Tobacco	76,92	110,00	177,13	281,95	128,80	-	-
Potato	47,33	29,79	49,92	31,47	30,93	75,03	158,5
Vegetables	24,73	25,93	17,41	19,15	27,92	41,0	165,9
Fruits and berries	40,04	47,42	83,34	101,49	48,94	82,5	2 dəfə
Grapes	33,59	39,42	36,05	45,97	61,60	65,41	194,7
Watermelon products	14,33	14,12	19,71	16,65	22,12	25,51	178,3
Milk	39,70	49,66	52,59	56,05	58,72	61,55	154,9
Cattle	243,40	212,35	402,85	499,37	475,86	544,99	2,2 dəfə
Lamb	248,30	349,98	477,53	572,86	470,73	551,96	2,2 dəfə
Pork	375,00	157,59	486,00	615,82	447,37	469,26	125,1
Poultry meat	220,40	206,63	267,95	263,70	328,29	416,12	188,7
Wool	154,00	145,81	144,67	146,03	133,49	126,06	81,8
Eggs (1000 times)	79,30	89,90	136,46	153,29	177,72	150,23	189,4

*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.*

the price mechanism. The presence of state control over the price mechanism serves to protect the interests of producers. The government's guaranteed price policy is considered one of the important regulatory levers against monopolistic tendencies of business consumers in the market, especially for small economic entities that produce products intended for raw materials.

**Table 6.**

**The most optimal sales channels in the agribusiness sector in terms of the purpose and characteristics of the products**

	Grain	Beans	Fresh fruits and vegetables	Dried fruits and vegetables	Industrial plants					Animal products		
					Cotton	Sugar beet	Sun-gazing	Tobacco	Tea	Live animal	Meat and dairy products	Meat and dairy products
Public	X					X		X	X		X	
Private sector	X	X	X	X	X		X	X	X	X	X	X
Coop. and exchange	X			X	X	X	X		X		X	X
Trading exchanges	X	X		X			X			X		
Wholesale and retail		X	X							X		X

*Source: compiled by the author.*

It is clear from the table that commodity exchanges play an important role in the sale of agricultural products for some products. Cotton occupies the most important place among the products produced on commodity exchanges. Nuts and legumes, dried fruits are offered to the markets through different sales channels.

One of the most important evaluation criteria of agribusiness activity is the level of economic indicators of the consumer market. It is known from the research that the turnover of retail goods for all types of sales increased by 3.9 times in 2022 compared to 2010. It should be noted that the relevant indicator has increased by 17.9% compared to the previous year. Research shows that in 2022, the retail turnover per person of the population increased by 3.4 times compared to 2010, and by 17.3% compared to 2021. One of the most important indicators characterizing the situation of the agribusiness sector in the consumer market is related to the specific weight of food products from the total volume of retail commodity turnover. During the research period, food products increased 3.4 times compared to 2010 and 22.2% compared to 2021.

**Table 7.**

**The main economic indicators of the consumer market, mln.  
manat**

Indicators	2010	2015	2020	2021	2022	in 2022 compared to 2010 in %	in 2022 compared to 2021 in %
Retail turnover of all types of sales	13261,7	25.721,1	40.166,5	44.217,5	52.171,0	3,9 dəfə	117,9
Including:							
Enterprises	1.804,6	2.823,3	9.111,8	11.631,3	13.608,5	7,5 dəfə	116,9
Individual entrepreneurs	11.457,1	22.897,8	31.054,7	32.586,2	38.562,5	3,3dəfə	118,3
From him:							
Fairs and products market	5.457,7	8.633,8	9.109,5	9.513,2	11.346,7	2,0 dəfə	119,2
Merchandise turnover of catering in the total volume of retail commodity turnover	417,8	1.111,2	759,6	979,1	1.586,0	3,8 dəfə	161,9
Retail turnover per half of the population, with manats	1.484,4	2.699,2	4.016,6	4.402,1	5.167,9	3,4 dəfə	117,3
From the total volume of the retail commodity cycle:							
Foodstuffs	8.577,1	12.871,2	21.684,8	24.031,4	29.380,2	3,4 dəfə	122,2
Non-food items	4.684,6	12.849,9	18.481,7	20.186,1	22.790,8	4,8 dəfə	112,9
Wholesale commodity turnover	14.995,0	26.351,4	28.482,9	31.981,9	31.597,0	2,1 dəfə	98,7

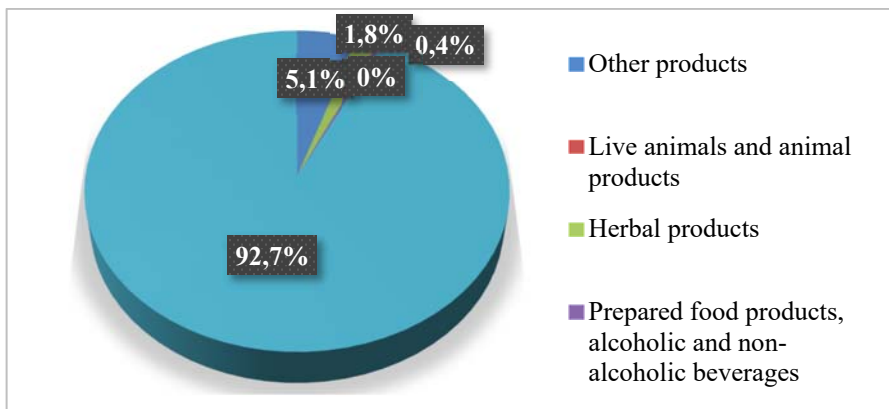
*Source: Chart from the official website of the State Statistics Committee of the Republic of Azerbaijan [www.stat.gov.az](http://www.stat.gov.az). prepared by the author based on his data.*

Raising the export potential of small and medium-sized entrepreneurs in the agribusiness sphere and ensuring the development of areas that will replace imports can also play an important role in the realization of some issues:

- elimination of inequality in regional development;
- formation of an efficient field structure of the country's economy;
- increasing the country's export potential;
- ensuring the optimal level of employment;
- acceleration of the formation of the middle class, etc.

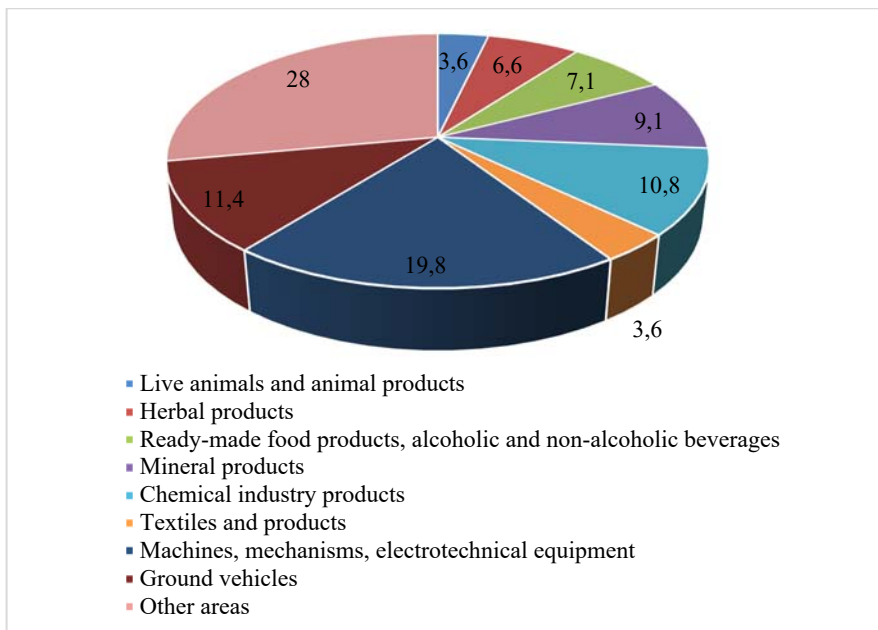
In recent years, the dynamic development of the country's economy has created conditions for the increase of export indicators in the field due to the improvement of the production capabilities of the agricultural sector. It is true that now, as in the last ten years, mineral products still have the main share in the commodity structure of exports, but despite this, the export opportunities of the agricultural sector and the food industry, which is closely related to it, have slightly increased compared to previous years. If we look at the structure of goods exported from our republic in 2020, we see that the share of the agribusiness sector in exports is around 5-6%. Despite the fact that the current situation is far from the desired level, the improvement of the production infrastructure of small and medium entrepreneurs in the agribusiness sector and the successful implementation of the state's agrarian policy indicate that there will be a fundamental turn in this direction in the future.

Currently, there are serious problems in the financing of small and medium enterprises (SMEs) in the agricultural sector. Although a number of steps have been taken by the state in recent years to solve the problems, the existence of certain shortcomings is still undeniable. The fact that the level of income of private entrepreneurs is not high and that the sustainability of profit is lower than in other areas of the economy is considered to be one of the factors that have a negative impact on the improvement of financial security. It is known that special financial resources are not sufficient for the formation of small and medium enterprises in the agribusiness sector, so this factor makes it necessary to activate the financial support provided to entrepreneurs by the state.



**Figure 4. Commodity structure of exports in the Republic of Azerbaijan in 2022-in %**

Source: The diagram was compiled by the author based on the data of the State Statistics Committee of Azerbaijan.



**Figure 5. Commodity structure of imports to the Republic of Azerbaijan in 2022-in %**

Source: The picture was compiled by the author based on the data of the State Statistics Committee of Azerbaijan.

In the transfer of macroeconomic conditions created for the joint and efficient existence of small and medium enterprises in the agricultural field to the micro level, the development of the resource market, the creation of favorable conditions for innovative and balanced development and the optimal combination of selective stimulation, tariff and non-tariff regulation, price and non-price competition methods, etc. plays quite an important role. The realization of the corresponding effect serves the initiative of the private sector in the agricultural sector by positively influencing innovation activity. Encouraging small and medium-sized business subjects in agribusiness, disseminating advanced experience in the application of organizational-managerial, economic and socio-psychological methods of implementing leadership in innovative activities, ensuring staff participation in profit and management, reconciliation of material interests, promoting work in a single team and corporate culture solution should also be considered a priority.

In accordance with the role played by small and medium-sized enterprises in economic development, the state, which is interested in the development of enterprises that fit this category, provides comprehensive assistance to small and medium-sized enterprises.<sup>9</sup> The experience of Western countries shows that state financial assistance occupies a special place among the assistance provided to this category of enterprises, and currently it is difficult to imagine the development of SMEs without it. Although the activity of the government in this field, which provides financial assistance to SMEs in Azerbaijan, is not considered satisfactory, the issues of improving and expanding the legislative framework to carry out this work should be considered among the priority issues.

In the modern stage of development of the country's economy, for the development of small and medium enterprises, economic subjects should always be in search of innovations and should look at the successful experiences in the world economy. Making innovations and innovative changes is considered one of the main factors that accelerate

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<sup>9</sup> Çelik, A.T. Girişimcilik Kültürü ve KOBİ'ler. İstanbul, Nobel Yayın Dağıtım, 2018. – 567 s.

and diversify the development of SMEs. One of the important and innovative changes that contributed to the development of SMEs in recent years is the "electronic commerce" portal, realized as a result of state support. At first glance, the importance of electronic commerce, mainly in the field of services and trade, is realized by using electronic means. However, we must note that agribusiness entities from strategic areas can successfully use this platform. The main advantage of e-commerce is that trade transactions are carried out online, the movement and transfer of products is carried out through the Internet network, which distinguishes it from traditional trade.

Minimizing the oil dependence of Azerbaijan's economy and increasing the competitive production potential based on SMEs necessitates the implementation of additional measures in the next periods. For this reason, continuing the reforms in the direction of further improvement of the business and investment environment is defined as one of the main strategic goals, and in order to achieve this goal, it is important to develop state-entrepreneur relations and support the business and investment environment. For this purpose, the elimination of illegal interference and artificial obstacles to entrepreneurial activity, improvement of administrative rules and procedures in the state regulation of entrepreneurship, implementation of incentive mechanisms and expansion of the scope of electronic government services will remain a priority. The development of SMEs in the country will ensure the further improvement of the business and investment environment for domestic and foreign investors, and the formation of an even more attractive business and investment environment in accordance with the most advanced international practice.

Taking into account the above, let's consider the correlation dependence between the factors affecting its development based on the main macroeconomic indicators of business entities. Based on the table, let's consider output, number of employees and fixed capital investment as causal factors.

Using the Excel analysis package, the results of the regression analysis according to the data are reflected in the following table (table 8).

**Table 8.**

**The main macroeconomic indicators of business entities in the Republic of Azerbaijan**

Years	Number of employees, thousand people - x1	Investments in fixed capital, million manats - x2	Product release, million manats - y
2016	281	2830,2	5831,2
2017	290,1	3298,6	6269,6
2018	283,4	6953	17401,6
2019	332,2	3 422,20	19 579,40
2020	348,7	2 674,10	19725, 7
2021	357,8	3387,7	24747,4
2022	370,1	2827,1	29003,4

Source: [www.stat.gov.az](http://www.stat.gov.az). The table was compiled based on the data of the State Statistics Committee of Azerbaijan.

In practice, the following formula is used when analyzing the parameters of the multifactor regression equation:

### Regression model results

**Table 9.**

Conclusion						
Regression statistics						
Multiple R	0.989303607					
R - square	0.978721626					
Standardized R - square	0.964536044					
Standard error	1464.202765					
Observation	6					
Analysis of variance						
	df	SS	MS	F	Significance F	
Regression	2	295831523.6	147915761.8	68.99410884	0.0031039	
Residue	3	6431669.207	2143889.736			
Total	5	302263192.8				
	Coefficients	Standard error	t - statics	P meaning	Lower 95%	Top 95%
Y - intersection	-71550.14056	7450.674041	-9.603176863	0.002396223	-95261.51063	-47838.77049
Variable X 1	240.6552357	20.75987383	11.5923265	0.001378622	174.5880519	306.7224194
Variable X 2	2.980051725	0.452509778	6.585607364	0.007124584	1.539963655	4.420139795

$$Y = b_0 + b_1 x_1 + b_2 x_2 + \dots + b_n x_n.$$

Based on the indicators, the equation of the regression model can be described as follows:

$$Y = -71550.14056 + 240.6552357X_1 + 2.980051725X_2$$



The essence of the obtained regression coefficients is that a 1-unit change in the X1 factor will lead to a 240.6552357-unit change in the Y factor, and a 1-unit change in the X2 factor will lead to an increase in the Y factor by 2.980051725 units. To determine the adequacy of this result, the statistical significance of the given coefficients should be checked. For this, it is necessary to check the following hypothesis:

$$\begin{cases} H_0: \beta_1 = 0 \\ H_0: \beta_1 \neq 0 \end{cases}$$

The above hypothesis is tested based on t-statistics:  $t_1=11.5923268$ ,  $t_2=6.58560736$ . Critical point of Student's distribution (t-distribution):  $(\alpha=0.0005) t_{0.0005;2}=31.599$ . According to the results obtained from the calculations, the coefficients of X1 and X2 variables are statistically significant since they are  $11.5923268 < 31.599$ ,  $6.58560736 < 31.599$ .

In order to determine the real role of factors affecting the volume of output in business entities, it is necessary to use absolute indicators as well as relative indicators. The elasticity coefficient is considered one of the absolute conditions of the analysis in terms of determining this dependence. If the elasticity coefficient is less than 1, the effect on the resulting factor is not considered high. Based on the linear regression equation, the elasticity coefficient, which expresses the percent change of the dependent variable as a result of a 1% change in the independent variable, can be calculated based on the following formula:

$$E = \frac{x \times \bar{x}}{\bar{y}}$$

Looking at the results in Table 8, we can note that a 1% increase in the number of employees and the volume of investments allocated to fixed capital will lead to an increase of 4.87% and 4.31%, respectively.

**Table 10.**

**Flexibility of factors affecting the volume of product release in entrepreneurial activity**

Product output, million manats	Number of employees, thousand people	Capital investments, million manats
1%	4.87%	4.31%

*Source: Calculated by the author using MS Office Excel.*

Since the correlation coefficient between the indicators for the studied period is  $r = \sqrt{R^2} = 0.9820$ , there is a very high correlation dependence between the output and the number of employees and the amount of investments allocated to fixed capital, based on  $r = 0.9-0.99$  on the Chaddock scale. The coefficient of determination  $R$  - square  $= 0.9787$  shows that the approximation is quite high. The coefficient of determination  $R^2 = 0.9787$  means that 97.9% of the variance of the corresponding regression equation is explained by the outcome indicators, and 2.1% is explained by the influence of other factors. The high coefficient of determination indicates that the regression equation expresses the initial data better and that the greater part of the result factor (97.9%) is explained by the factors included in the model.

Since the significance is  $F \sim 0.0031039$ , the regression model is valid under the condition of  $p < 0.05$ .

The statistical significance of the regression equation obtained with the help of the F-Fisher criterion in the EXCEL program is determined by comparing it with the F-Fisher criterion,  $F_{table}(a; m; n - m - 1)$ . As can be seen from Table 8, F-statistic (Fisher's test) = 68.9941. In this case, if we determine the  $F_{table}$  with the help of the formula  $F_{table}(a; m; n - m - 1) = \text{Disagreement}$ , with a significance level of  $\alpha = 0.05$  with a 95% confidence interval, we get the following result:

$$F_{table}(a; m; n - m - 1) = \text{Disagreement}(0.05; 6; 8) = 19.0$$

When comparing the F-Fisher criterion with the  $F_{table}(a; m; n - m - 1)$  value, it can be seen that the F-Fisher criterion  $> F_{table}$  ( $68.9941 > 19.0$ ). This means that the regression equation as a whole is statistically significant. This means the adequacy of the established model.

**We summarize some of the main results obtained during the research, new scientific approaches, suggestions and recommendations.**

In modern economic conditions, important measures are taken by our state for the development of SMEs in agribusiness, which has become one of the strategic areas for our republic. We can classify these measures according to the level and priority of impact on the expansion of the agribusiness activity spectrum and overall

development of the field as follows: - agribusiness development measures that play a role in ensuring the country's food security and stability in the domestic market, which are relevant for the world, should be continued without delay. - For the purpose of SME development, the activities of economic subjects should be further improved and an environment of free competition should be created; - in order to ensure the highly profitable activity of SMEs in agribusiness, it is necessary to ensure production efficiency and apply the newest achievements of scientific and technical progress to production, ensure employment in the agricultural sector and continuously improve the living conditions of the rural population; - The development of wholesale food markets should be encouraged as important elements of agribusiness for the purpose of SME development; - one of the important factors determining the development of agribusiness is to increase the export potential through the expansion of competitive production; - in order to ensure the normal functioning of agribusiness structures, measures should be taken to increase state support to this area and eliminate negative effects that hinder the development of entrepreneurship: - in relation to the development of KOS in agribusiness, specific support should be given to economic areas with optimal level of economic relations with this area; - for the development of processing enterprises, which are the main partners of agribusiness, investments in the field should be encouraged and the integration relations between raw material producers and processing enterprises should be maintained at an optimal level; - expansion of market access opportunities for agricultural commodity producers, creation of favorable conditions for peasants to earn more income should be ensured; - it is known that agricultural producers do not receive income corresponding to their efforts, for this purpose, the activity of trade intermediaries should be regulated and their monopolistic tendencies should be prevented; - a two-tier price level should be applied to prevent price disproportion; - in modern conditions, the government's price regulation should mainly be aimed at eliminating the disparity between the prices of agricultural products and industrial products. Price adjustment, elimination of price disparity should be achieved by applying the tariffs of natural

monopolies at the optimal level for producers and consumers; - the implementation of necessary measures related to the protection of the environment and the production of ecologically clean products in agriculture, and the expansion of scientific and research work should be considered necessary; - improving the financial security of agribusiness subjects also plays an important role in ensuring more efficient and intensive activity of SMEs. From this point of view, credit conditions for entrepreneurs should be improved and differential credit rates should be applied according to regional potential.

One of the main shortcomings affecting the development of SMEs in agribusiness is related to insurance. So, currently, most of the insurance companies are not very interested in insuring small and medium enterprises. One of the main points shown here is the difficulties that arise during the calculation of risks related to the activity of SMEs in agribusiness. The specific characteristics of the field play a role here, in this regard, the mechanism of the insurance system in the agribusiness sphere should be restructured. Our government is already taking important steps in this direction.

Based on the results derived from the general content of the study, the propositions can be expressed as follows:

1. The development of small and medium entrepreneurship in the agribusiness sector plays an important role in ensuring the diversification of the country's economy and meeting the growing needs of society as a whole. Therefore, the development of small and medium business subjects in agribusiness as one of the strategic areas by the state is considered one of the priorities. However, along with this, great attention should be paid to the creation of a favorable business environment for the balanced and proportionate development of agrarian entrepreneurship and the promotion of competition, the development of agribusiness that is able to satisfy the needs of the domestic market and send competitive goods for export.

2. In addition to the economic importance of the development of entrepreneurial activity in the agricultural field, the social essence should also be properly assessed. Along with the increasing importance of agrarian entrepreneurship in the direction of ensuring the diversification of the country's economy, its role in the formation

of a large class of owners, which is a guarantee of political stability and democratic development of the society, is undeniable, ensuring employment, raising the level of welfare of the population, reducing the level of social tension, makes positive contributions to changing social psychology and life orientations in a positive direction.

3. The creation of an efficient business environment that encourages the development of economic activity in the agrarian field requires the improvement of the legal framework and economic mechanisms that play a positive role in the organization of the normal activities of all entrepreneurs, especially small and medium-sized business entities. We believe that along with all these positive trends, in terms of increasing the role of entrepreneurs in society and forming a sense of social responsibility in them, the organization of measures that inculcate the concept of ethical values and corporate responsibility in business activity is considered an important factor, especially for entrepreneurs operating in the agricultural sector;

4. Effective organization of entrepreneurial activity in the agribusiness sector cannot be carried out without taking into account changes in geopolitics and the world economy. From this point of view, the progressive innovations taking place in the context of the development of the agrarian sector in the world economy should be an example for the entrepreneurs operating in the agrarian sector of our country. In order to eliminate the difficulties arising in the direction of the introduction of progressive innovations that will play a role in the development of agrarian production, the state should mobilize its own capabilities and use the potential of foreign innovators who have extensive knowledge in agricultural production to the maximum effect. For the development of SMEs in agribusiness, on the one hand, the involvement of innovative technologies and know-how in agricultural production should be evaluated in this aspect, along with enabling the strengthening of national sectors of production related to promising technologies.

5. The role of the state in the development of entrepreneurship in developed countries is increasing. In countries governed by a socially oriented market economy model, it is not only the expansion of the state's participation in solving social problems, but also the

strengthening of regulatory functions in the economy in order to balance private and public interests and coordinate the activities of entrepreneurial structures. We believe that at the stage of modern development of the country's economy, these issues should form the main line of state programs implemented in the agricultural sector.

6. Taking into account the modern trends of economic development in the world, the strategic socio-economic development directions of Azerbaijan, as well as the modern calls for the promotion of entrepreneurship in the agricultural sector in the country's economy, the attitude towards the organization and support of small and medium-sized business entities should be radically changed and the incentive support mechanisms should be formed in this direction. .

7. Methods of formation of competitive advantages among entrepreneurial entities in agribusiness: determined by offering a quality product at a lower price (price competition) and better ability to meet the needs of consumers (non-price competition). In this case, the use of the combined method, which includes price and non-price competition methods, is considered more efficient. When talking about the competitive advantages of small and medium-sized enterprises, it is necessary to emphasize that the entrepreneur must first of all use modern technologies in production and at the same time apply the right marketing strategies to conquer the market.

8. It was determined within the framework of the indicated methods of creating competitive advantages in the sphere of activity of agrarian enterprises that, first of all, attention should be focused on non-price methods in which the application of innovations plays the main role as the most powerful tool during the implementation of the competitive struggle.

9. The important progress of the agrarian field enterprises, which was discovered only in the external environment, determined not only its personal competitiveness, but also the importance of the competitiveness of the country or region in which it operates. In this regard, it is recommended to consider the factors of competitiveness of the firm based on the experience of international companies.

10. At the stage of the transition to the green economy, which is currently relevant at the global level, SMEs operating in the

agribusiness sphere in our country should be encouraged to use renewable energy sources in order to protect the environment. The use of wind, water and solar energy sources should be among the priorities in this direction. This process can also increase the possibility of saving energy costs in agriculture which are increasing every day. In order to implement intensive production, a planned approach should be adopted and the non-designated use of agricultural land should be prevented.

11. We believe that in order to strengthen the role of SMEs in the agribusiness sector, special attention should be paid to solving the following issues:

- bureaucratic obstacles created by relevant state institutions and municipal bodies in the activities of entrepreneurs in the regions;
- maintaining the relevance of the water supply problem in production farms of small and medium-sized enterprises in the agrarian field;
- inadequacy of mutual relations with financial and credit institutions in terms of improving the financial security of business entities operating in the agricultural field, especially the fact that the special weight of agricultural credit in the credit portfolio of commercial banks is very small;
- interaction of small business enterprises with each other, differences in interests and behaviors, unfair partnership;
- the abundance of trade intermediaries in the agricultural sector and monopolistic tendencies;
- information problems;
- difficulties caused by imported products to local producers in the domestic market;
- the inadequacy of manufacturers in market research and in connection with this, the products produced are offered in the market at more unfavorable prices;
- inadequacy of the infrastructure related to the collection and supply of manufactured products, etc.

Although the potential of agribusiness is different for each country, the established rules for its development are the same or largely similar. Therefore, at the current stage, when Azerbaijan is paying so much attention to the reduction of dependence on the oil factor, it may

be important to take advantage of the advanced experience of the world countries in this field in the direction of the development of SMEs in terms of creating a large-scale added value in the economy of our country.

**The main terms of the dissertation are reflected in the following published articles and conference materials:**

1. A specific systematic approach to management decision-making. // – Baku: On the occasion of the 91st anniversary of the birth of H. Aliyev, Az. Res. Republican scientific-practical conference held by the Academy of Public Administration under the President, 2014.

2. Priorities of increasing the economic efficiency of production in the agricultural field. // – Ganja: Materials of the scientific-practical conference on the development of agriculture at the modern stage on the occasion of the 91st anniversary of Academician A. Mahmudov, September 22-24, 2014.

3. Directions for payment of food supply to the population at the expense of local production. // – Mingachevir: Mingachevir State University. National Model and Strategy of Sustainable Development, 2015. – p. 208-210.

4. The role of agricultural production in the development of agricultural processing enterprises // – Baku: scientific works of ANAS, 2015, No. 5. – p. 135-140.

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7. The role of small and medium entrepreneurship in the development of agrarian economy // – Baku: Agricultural Economy, Scientific Works of the Scientific Research Institute, 2017, No. 4. – p. 13-17.



8. Factors determining the formation and development of competitive production in the agro-processing industry. // – Baku: "Cooperation" scientific-practical journal, 2017, No. 4 (47). - p. 22-29.
9. The role of agribusiness in ensuring quality production of the consumer market in Azerbaijan Republic // – Minsk: III International Scientific Practice Conference. Collection of articles, March 23-24, 2017. – p. 295-296.
10. Necessity of small business development. // – Baku: ANAS Institute of Economics "Scientific Works", 2017, No. 3. – p. 195-200.
11. The role of the organization of clusters in the agribusiness sector in the development of small and medium entrepreneurship. // – Baku: "Cooperation" scientific-practical journal, 2018, No. 3 (50). - p. 72-76.
12. Priority directions of state support of small and medium-sized enterprises in the agrarian sector of the Azerbaijan Republic // – Moscow: Scientific journal "Internauka", 2018, No. 6 (40). - str. 62-65.
13. Priorities of supporting production entities in the agribusiness sector // – Ganja: Scientific Works of ADAU, 2018, No. 1. – p. 116-119.
14. The role of increasing investment attractiveness in the development of the agribusiness sector // - Baku: Scientific works of the Scientific Research Institute of Agricultural Economics, 2018, No. 2. - p. 58-61.
15. The importance of improving the financing system of small and medium enterprises in the Republic of Azerbaijan // - Ganja: Scientific works of ADAU, 2019, No. 1. - p. 106-109.
16. Main directions of stimulation of small and medium enterprises in the Republic of Azerbaijan // – Moscow: Vestnik Науки и образования. Научно-методический журнал № 6 (60) Ч.1. March, 2019. – str. 5-10.
17. Factors influencing the development of entrepreneurs, production and sales relationships in the agribusiness sector of the Republic of Azerbaijan // – Vienna: The European Journal of Economics and Management Sciences, 2019, No. 2. – p. 32-35.
18. Factors determining the increase of export opportunities of small and medium enterprises in the agribusiness sector // - Baku:

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20. Directions for increasing the competitiveness of business entities in the agribusiness sector during the Covid-19 pandemic // – Baku: Academy of State Administration under the President of the Republic of Azerbaijan. Post pandemic economy: realities and forecasts, June 3, 2021 virtual republic scientific conference. - pp. 37-40.

21. The main aspects of the development of small and medium-sized entrepreneurship in agribusiness, the monograph was given the right to publish by the decision of the Scientific Council of ADAU dated 23.04.2021 (EC No. 06/4.16). Baku-2021, - p. 196 (23422 signs)

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25. Modern aspects of the formation and development of logistics systems and innovation infrastructure in agribusiness // - Baku: "Cooperation" scientific-practical journal, 2023, No. 4 (71). - p. 51-57.



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