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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

IMPROVEMENT OF THE ORGANIZATIONAL AND ECONOMIC MECHANISM OF SUPPLYING THE DOMESTIC MARKET WITH HOUSEHOLD GOODS

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GENERAL CHARACTERISTICS OF THE RESEARCH

The relevance of the topic and degree of exploration. The efficient structuring of the domestic market supply chain is essential for the country's economic sustainability and customer satisfaction. In Azerbaijan, changing customer expectations, economic diversification initiatives, and challenges in the global supply chain have made it more important to improve the delivery methods of household goods. The research topic is very relevant due to its potential impact on national economic stability, consumer welfare, and company sustainability.

As one of the many emerging economies, Azerbaijan faces various obstacles in increasing the supply of household goods. These issues are complex and include logistical constraints, limited domestic production capabilities, import dependence, and inadequate infrastructure. The COVID-19 pandemic has exposed these weaknesses by disrupting global supply chains and exposing the dangers of over-reliance on foreign markets for essential household goods.

Improving the organizational and economic structure of supply requires addressing these shortcomings through improved resource allocation, strategic planning, and technological advancement. This study is relevant as Azerbaijan aims to strengthen the resilience of its domestic market by achieving self-sufficiency and ensuring the consistent availability of essential goods.

Supply chain efficiency has a significant impact on economic growth. A well-organized supply chain mechanism enhances price stability, reduces transportation and transaction costs, and enhances overall consumer satisfaction. These outcomes ultimately stimulate economic activity by fostering confidence in domestic markets and encouraging household spending. Furthermore, an efficient supply chain can enhance the competitiveness of local producers by offering reliable routes for distribution and market access.

Research into improving economic systems that govern the supply of household goods can provide evidence-based recommendations for government initiatives. Strategic investments in infrastructure,

including sophisticated warehouses and improved transportation networks, can be encouraged. In addition, increasing domestic manufacturing capabilities and promoting public-private partnerships can be crucial in reducing import dependence and improving market stability.

In order to achieve sustainable economic development and increase social welfare in modern times, countries pay special attention not only to high-tech sectors, but also to sectors serving the daily consumer market - including the household goods industry. This sector is of strategic importance not only in terms of the formation of the consumption structure, but also in terms of economic security, increasing employment and reducing dependence on imports.

The household goods market in Azerbaijan is still import-oriented. According to official statistical data, while the number of household refrigerators produced in the country in the first months of 2024 was 90 units, the import volume in the same period was 4,425 units. This means a self-sufficiency level of approximately 2 percent. The level of domestic production meeting domestic demand for other household goods (washing machines, dishwashers, electric stoves, televisions, etc.) is also extremely low. That is, a significant part of the consumption in this sector in the country is paid for by foreign sources. The existence of this situation raises a number of economic and social problems, such as an increase in the risk of import inflation, that is, the direct transmission of price changes in imported products to the domestic market, the diversion of currency flows outside the country, the loss of resources that could be spent on expanding domestic production, the limited development of local industry and small entrepreneurship, and the weakening of access to basic household goods for low-income groups of the population.

The production of household goods also acts as one of the main directions of the processing industry. In 2023, the gross industrial product amounted to 66.6 billion manat, of which 27.1 percent fell to the processing industry. However, the specific weight of the household appliances and furniture industry in this indicator is very low. The same situation is observed in the field of employment: for example, the number of employees in the furniture industry was 7,900 people at

the beginning of 2024, which is a very small part of the total employed population in the industry.

On the other hand, the role of this sector in Azerbaijan's economic development strategy is gradually increasing. Industrial parks operating in the country (Sumgayit Chemical Industrial Park, Pirallahi, Neftchala, Mingachevir, etc.) and industrial zones are provided with infrastructure and incentives to support such production activities. Through these parks, tax and customs incentives, land and utility provision opportunities, and state investment promotion measures are applied. However, the direct impact of these initiatives on the production of household goods is still limited.

Global challenges and transformations also increase the relevance of this area. In the post-pandemic period, the improvement of the living conditions of the population, the development of digital trade, the increase in demand for household appliances through e-commerce platforms, and the strengthening of sustainable consumption trends bring to the agenda the need to increase the accessibility of these products in the domestic market. Also, in the context of the restoration of settlement in the liberated territories and the construction of residential infrastructure within the framework of the “I State Program on the Great Return of the Republic of Azerbaijan to the Liberated Territories” approved by the Decree of the President of the country dated November 16, 2022, the issue of providing the population with basic household items gains particular relevance. This can be possible not only through imports, but also by strengthening the domestic production base.

As for the degree of development of the topic, it should be noted that there are few extensive and systematic studies on the economic mechanisms of household goods production in Azerbaijan. Independent studies are more focused on the general development problems of the industrial sector, diversification of the economy, and stimulation of non-oil sectors. Although there are few of them in this direction, some Azerbaijani researchers - Z. Samadzade, A. Nadirov, I. Feyzullabeyli, E. Guliyev, B. Atashov, R. Hasanov, A. Huseynov, A. Shakeraliyev, G. Ganjiyev, A. Tagiyev, and others - have conducted various studies on the development of industry and regional

economic growth. At the same time, there are works by numerous foreign scientists in this field, including N. Lundert, A. Marshall, P. Baltzan, A. Phillips, M. Porter, C. Mill, A. Rodriguez-Posl, and others. The work also widely uses the scientific research results obtained by foreign researchers. There are studies conducted in this field in foreign countries, especially in European and Asian countries, in the field of application of technological innovations, development of domestic production with state support, the concept of "smart technology" and applications in the field of energy efficiency. However, the adaptation of these experiences to Azerbaijani conditions and the development of application mechanisms are still relevant.

However, in states operating in a market economy, the study of problems such as the organization of import-export, the improvement of the commodity structure of exports, the improvement of the place of the national economy in the world market and the international division of labor has not been set as a specific goal. In the current study, the improvement of the import mechanism of household goods that are not produced and exported in our republic, the improvement of the structure of imports based on diversification, and the study of the issue of stimulating the production of household goods in the country at the level of new requirements have been set as an important task. All of the above confirms that the topic is an urgent and scientifically necessary direction for research. The current socio-economic conditions necessitate the development and implementation of innovative and optimal organizational-economic approaches in this area. In this regard, the presented dissertation work can contribute to both the development of theoretical knowledge and the preparation of practical solutions.

The object and subject of the research. The object of the research is the set of enterprises and organizations engaged in the production of household goods in Azerbaijan and their delivery to the domestic market.

The subject of the research comprises the organizational and economic issues, structure, functionality, methods and tools, scientific approaches, and regularities related to the provision of the domestic market with household goods.

The purpose and objectives of the research. The purpose of the study is to develop proposals and recommendations for its improvement based on the investigation of the organizational and economic mechanism of supplying the domestic market with household goods. In order to achieve the stated purpose, it is essential to accomplish the following research objectives:

- to study the theoretical issues of supplying the domestic market with household goods;
- to study the role of international trade relations in the formation of the household goods market;
- to study the international experience in the organizational and economic mechanism of supplying the domestic market with household goods;
- to analyse the formation and development trends of the household goods market in the country;
- assessment of the current state of the supply of the domestic market of Azerbaijan with household goods;
- to investigate the role of quality control and examination procedures in order to improve the supply mechanism in the republic;
- to identify the directions for institutional and technological modernization of the organizational and economic mechanism of supplying the domestic market with household goods;
- identification of directions for improving state support for the production of household goods in Azerbaijan.

Research methods. During the research, economic-statistical, analytical analysis, comparative analysis, induction and deduction, systematic approach and other scientific research methods were used. Thus, a comparative analysis was conducted by analyzing specific cases and trends of successful supply mechanisms in Azerbaijan or similar markets. In the research process, Decrees and Orders of the President of the Republic of Azerbaijan in the relevant direction, decisions adopted by the Milli Majlis and the Cabinet of Ministers of the Republic of Azerbaijan, laws and other regulatory acts, relevant reports of central and local executive bodies, data of the State

Statistical Committee of the Republic of Azerbaijan, etc. regulatory and legal documents were used.

The main provisions submitted for defense. Based on the research conducted, the main provisions submitted for defense are as follows:

- in order to effectively meet domestic demand for household goods in Azerbaijan, there is a need to improve organizational and economic approaches, increase domestic production capabilities, and gradually reduce dependence on imports;
- for the purpose of continuous and sustainable supply of the domestic market, preferential loans, improvement of logistics infrastructure, and state support in the relevant direction can act as one of the important conditions;
- the widespread application of e-commerce, digital technologies, and modern sales and distribution practices serves to increase the efficiency of product circulation processes in the domestic market;
- the sustainable progress of the domestic market is directly or indirectly related to the quality of the produced product, consumer satisfaction indicators, and scientifically based regulatory mechanisms;
- the creation of specialized regional production clusters and strengthening public-private partnerships are of essential importance in the development of domestic production.

Scientific novelty of the research. The scientific innovations of the dissertation include the following:

- the components of the organizational and economic mechanism related to the organization and management of the supply of household goods to the domestic market have been systematized, and their interaction has been prepared in the form of a block diagram;
- functional management tools and their application mechanisms have been substantiated on the basis of new models to increase the efficiency of the production and circulation of household goods;

- a conceptual mechanism has been proposed for the creation of an information base aimed at improving both the quality and supply level of domestic products in accordance with the requirements of the domestic market, including supporting decision-making in this direction on a scientific basis;
- a phased application scheme has been developed for the integration of digital technologies in the production and sales chain of household goods, and the role and advantages of e-commerce platforms have been evaluated on a scientific basis;
- the formation of specialized production clusters in the regions, their role in providing the domestic market and their organizational structure were presented in the form of a scheme, and the development directions of public-private partnership were identified.

Theoretical and practical significance of the research. The findings obtained in the dissertation work and the proposals put forward will contribute to the acceleration of the development of the household goods segment of the domestic market in Azerbaijan through domestic production and the reduction of dependence on imports.

Approaches to the organization of household goods production based on innovative technologies in our republic and the proposals put forward can be used as initial material in the preparation and implementation of projects at the local level.

The research work can be a sufficient basis for future scientific research in this direction. The issues studied in the work, the proposals based on the research conducted can be useful in the teaching of a number of economic subjects in the educational process.

Approval and application. The main scientific and theoretical provisions of the dissertation, along with its main findings and recommendations, have been reflected in 10 articles (4 of which are abroad) and 4 theses (3 of which is abroad) published in reputable journals and conference materials recommended by the Higher Attestation Commission under the President of the Republic of Azerbaijan. Among the conference proceedings such as “Social strata of the population and the development of the household goods market

in Azerbaijan” (Moscow, 2021), “The quality of household goods in modern conditions and the main development factors in their trade sector” (Baku, 2022), “Features of providing the consumer market with consumer goods and their justification as factors for improving living conditions of the population” (Moscow, 2025) can be noted.

During the research, the author also published articles entitled “Global coordination and official assistance to achieve development goals” (Ukraine, 2020), “The importance of developing international trade relations for the growth of the market for innovative products” (Cyprus, 2021), "Study of the international experience of organizational and economic mechanisms for supplying the domestic market with household goods" (Baku, 2024), “Providing the Domestic Market with Consumer Goods in International Practice” (Moscow, 2025).

Name of the institution where the dissertation was conducted.
Azerbaijan Cooperation University.

Total volume of the dissertation with a mark indicating the volume of the structural sections separately. The dissertation consists of an introduction, three chapters, a conclusion and a list of used literature. Introduction (13983 characters), Chapter I (65684 characters), Chapter II (63543 characters), Chapter III (64834 characters), conclusion (7999 characters) and a list of used literature (14017 characters), the total volume is 237251 characters. The number of characters of the dissertation is 216043 characters, excluding tables, graphs and a list of used literature.

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MAIN CONTENT OF THE RESEARCH

The **introduction** of the dissertation outlines the relevance of the topic and degree of exploration, the object and subject of the research, the purpose and objectives of the research, the research methods, the main provisions submitted for defense, the scientific novelty of the study, its theoretical and practical significance, the approval and application, and the volume of the work.

Chapter I of the dissertation entitled “**Theoretical and methodological foundations of providing the domestic market with household goods**” examines the economic essence, theoretical foundations and research methodology of providing the domestic market with household goods. The importance of the household goods market is shown as an important factor in increasing social welfare and improving the quality of life. The concept of the market is explained from various approaches, and its functions as a system of economic interactions are explained.

One of the most important aspects of economic stability is the household goods market. It promotes jobs in a number of industrial sectors such as logistics, retail and production. Consumer spending is directly or indirectly affected by the increasing trend in the type and quality of household goods. Thus, household goods produced in new types and quality become more attractive to consumers. In this regard, referring to economic literature, it can be said that improving the quality of household goods leads to economic expansion by increasing consumer spending¹.

The flowchart for the classification of household goods presented in Figure 1 groups these items into three main categories based on their functional characteristics: household appliances, furniture and fixtures, and everyday goods. This approach allows for a structured systematization of household goods and their division into different functional areas. The first main category, household appliances, covers electrical and electronic devices used in the home. This group

¹ Vavilova Y.V., Borodulina L.P., (2008), International trade. Textbook, translated from Russian, University of Economics Publishing House (UNEC) – Baku, 336 p.

includes kitchen equipment (e.g., refrigerators, microwave ovens), cleaning appliances (washing machines, vacuum cleaners), climate control devices (air conditioners, heaters), and entertainment electronics (televisions, audio systems, etc.). This classification shows that household appliances play an important role in terms of both daily comfort and the application of technological capabilities in everyday life.

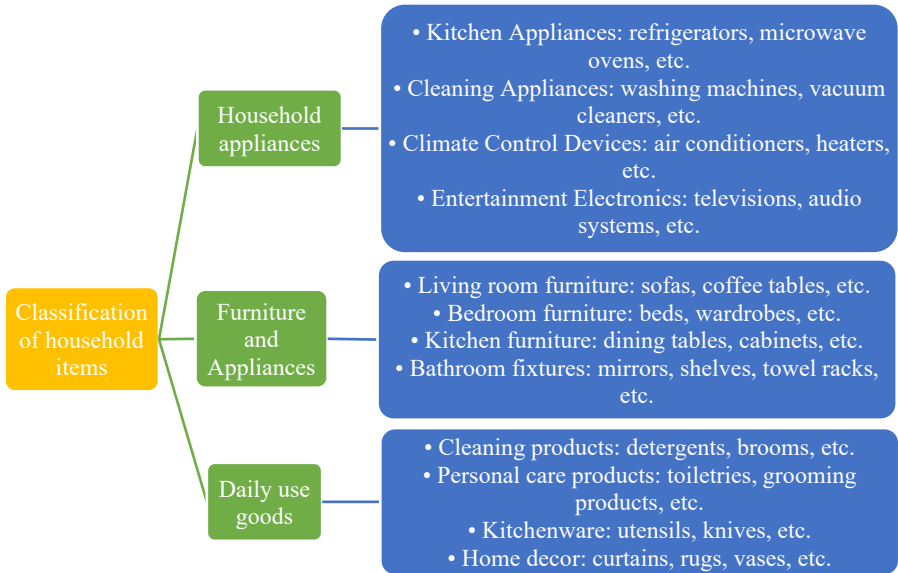


Figure 1. Block diagram of household goods classification

Source: Prepared by the author.

The second group, furniture and fixtures, meets the functional and aesthetic requirements of living spaces. It includes living room furniture (sofa, coffee tables), bedroom furniture (beds, wardrobes), kitchen furniture (dining tables, cabinets) and various bathroom fixtures (mirrors, shelves, etc.). In this section, furniture is classified according to the type of room and purpose of use, which is important in terms of interior design and functional comfort. The third category, daily use goods, covers various types of consumer products that are frequently used in the household. These include cleaning products (detergents and

cleaners), personal care products (shaving tools, hygiene products), kitchen equipment (dishes, knives, etc.) and home decoration products (curtains, carpets, vases, etc.). This group of items is characterized as products that change quickly and are aimed at daily needs.

As a result, the presented classification scheme provides a systematic division of household goods according to their purpose, functionality and area of use. This approach serves as a useful methodological basis both in research and in practical applications — for example, for production planning, market analysis and the study of consumer behavior.

In order to effectively meet the population's demand for household goods in a market economy, it is considered expedient to comprehensively use the opportunities provided by the markets for household goods, which are formed both at free and fixed prices. In this context, in order to fully understand the theoretical foundations of the household goods market, it is necessary to systematically analyze not only product varieties and consumption trends, but also the institutional and functional structural features of this market. The level of development of the market in question is determined not only by economic parameters, but also by legal and regulatory mechanisms, trade and consumer culture, the degree of informatization and the level of technological integration. From this point of view, the household goods market acts as a strategic area where the multifaceted structural elements of the economy intersect, and its effective activity is assessed as an important factor that directly affects the social well-being of society, the stability of family life and the overall quality of life.

In countries such as Azerbaijan, where economic transition is taking place rapidly, the study of the dynamics of the development of household goods markets is of great importance in terms of deepening international trade relations. Foreign economic relations, especially foreign investments, are not only limited to participating in providing the supply with finished products and services, but also create conditions for the revival and development of domestic production itself, and open the way to international markets. The above-mentioned is very important for states that have transitioned to a market economy,

including the Republic of Azerbaijan. Taking into account these features, foreign trade has rapidly increased in the Republic of Azerbaijan in recent years, a favorable environment for the development of market structures has been created, and stimulating conditions have been created for the use of domestic and foreign sources in the development of consumer market segments. The logical result of using the factors we have mentioned is that the number of countries with which Azerbaijan has established foreign economic relations has continued to increase. Thus, our republic, which had trade relations with a limited number of countries in 1994, has established trade relations with more than 190 countries in 2023, increasing its foreign trade turnover to 51.2 billion US dollars, and as a result, a positive trade balance of approximately 16.6 billion US dollars was formed.

All this played a major role in the development of all sectors of the domestic market, including the household goods market. For information, it should be noted that at the end of the last century, the main part of the consumer market in Azerbaijan was paid for at the expense of foreign trade. Approximately 65-70 percent of this fell on food, and the rest on non-food goods. Household goods dominate the structure of non-food goods. The changes taking place in the household goods market in our republic at the expense of foreign trade affect the formation of demand itself in our country and its formation in a direction consistent with the new system. This effect, on the one hand, leads to the development of a new structure and source of demand, and on the other hand, to an increase in supply, enrichment, stabilization of prices, or even a decrease, which leads to an increase in people's living standards.

As a result, we can say that the impact of international trade relations on the household goods market should be assessed not only in the economic, but also in the geopolitical and technological levels. As a result of deepening globalization, strengthening regional economic alliances, and the spread of digital technologies, international trade has become not only an exchange of goods and services, but also an exchange of ideas, technology, and consumer behavior. In this context, Azerbaijan's trade strategy should be multidimensional and not only import-oriented, but also include export potential.

To ensure stability, efficiency, and accessibility in domestic markets, the organization and economic management of household goods supplies are essential. Countries such as Germany, Japan, and the United States have established comprehensive systems for the provision of household goods, using different tactics that reflect their economic frameworks, regulatory contexts, and logistical infrastructures (table 1).

Table 1.
Comparison of the mechanisms of supply of household goods in Germany, Japan and the United States

Countries	Features of the Supply Mechanism	Main Elements	Impact on the Market
Germany	Simplified logistics and integrated supply chains	Logistics Hubs and Efficient Transportation Networks	High market efficiency and reduced costs
		Just-in-time (JIT) inventory management	Reliable availability of household goods
		Digitalization and Automation	Increasing consumer satisfaction by responding quickly to demand
Japan	Supply chains with strong quality control	Supply Chains Based on Minimal Waste	High consumer confidence and satisfaction
		Kanban System	Stable market thanks to effective supply and demand matching
		High standard quality control system	Focus on high-quality goods
United States of America	Private sector-led supply chains, made agile through innovation	The Advantage of the Private Sector	Fast and convenient access for consumers to household goods
		E-commerce and Last Mile Delivery	High adaptability to market changes
		Responsive Supply Chains	Strong competition drives continuous improvement and innovation

Source: Prepared by the author based on research.

As Table 1 shows, Germany, Japan, and the United States offer important insights into efficient supply chains for household goods, with strategies tailored to each country's distinct economic environment and consumer demands. Germany's focus on integration and digitalization, Japan's commitment to simple operations and quality, and the United States' reliance on private sector innovation and adaptability combine to demonstrate that a one-size-fits-all answer is elusive. These examples highlight the importance of infrastructure, efficient logistics, responsive supply chains, and consumer-focused initiatives in building a sustainable and successful supply chain for household goods. By learning from these successful models, other countries can improve their supply chains to ensure reliable access to household goods, thereby increasing market resilience and consumer satisfaction.

In **Chapter II** of the dissertation entitled “**Analysis of the organizational and economic mechanism of supplying the domestic market with household goods in Azerbaijan**”, the formation and development trends of the household goods market in the country, the current state of the domestic market, the dynamics of domestic production and import, the economic and organizational mechanisms of production, existing problems and innovative development opportunities, state support measures and future directions are analyzed in detail.

The development of the household goods market in Azerbaijan has been identified as a priority area in order to increase domestic production capacity and reduce dependence on imports. This market includes home appliances, personal care products, heating and cooling systems, as well as other products intended for daily use. Thus, this area has become an important and strategic part of the non-oil sector and contributes to the diversification of the country's economy.

Recently, as a result of economic growth and increase in population incomes in the country, and the acceleration of modernization processes in accordance with the requirements of the modern era, a significant increase in demand for household goods has been observed. Since the period of independence, this market has gradually formed and has entered a stage of rapid development since the mid-2000s.

Although a short-term economic downturn was recorded during the global pandemic, positive trends were observed in the following years, with consumer spending and a revival of domestic production.

Table 2 provides the estimated volume of imports of household goods and household appliances for 2019–2023:

Table 2.

Imports of household goods and household appliances (in thousand US dollars)

Years	Imports (million \$)
2019	103.2
2020	74.6
2021	94.6
2022	123.3
2023	116.6

Source: Prepared by the author based on data from the State Statistical Committee of the Republic of Azerbaijan [122]

Based on the data in Table 2, we can say that the import volume of 103.2 million USD recorded in 2019 constitutes the starting point of the period. In the following year, i.e. in 2020, this figure decreased to 74.6 million USD, which can be explained by the effects of the COVID-19 pandemic on the global supply chain and demand level. During this period, a decrease of approximately 27.7% was recorded in imports. In 2021, the import value increased to 94.6 million USD, which is an increase of approximately 26.8% compared to the previous year. This increase can be attributed to the recovery of economic activity and increased consumer demand in the post-pandemic period. The highest import figure was recorded in 2022, at 123.3 million USD. This is the maximum figure in the five-year period and an increase of approximately 30.4% compared to 2021. This increase coincides with the period when stability in the country's economy has strengthened and the purchasing power of the population has increased. In 2023, the import volume decreased to 116.6 million US dollars. This is a decrease of approximately 5.4% compared to the previous year. The observed decrease is structural in nature and can be explained more by the approaching saturation level of the market and regulatory processes.

According to studies, it can be said that the volume of domestic furniture production has increased significantly in recent years. In 2019, the processing industry increased furniture production by 29.5%. Due to the impact of the pandemic, the volume of production in this area decreased by 26.2% in 2020, but in 2021 and 2022 it increased rapidly again - an increase of 24.8% and 25.8% was observed, respectively. In 2023, furniture production increased by 10.5% and entered a stable dynamics. For example, in January-June 2023, furniture worth 122.8 million manat was produced in Azerbaijan, which is 22% more than in the first half of 2022 (table 3).

Table 3.
Consumer prices and price indices in Azerbaijan in 2019–2023

Year	Overall inflation (%)	Price index of furniture and woodworking (%)	Average retail growth (%)
2019	2,6	2.1	10-12
2020	2,8	1.2	8-10
2021	6,7	7.4	10-15
2022	13,9	13.1	12-15
2023	10,9	4.0	10-14

Source: Prepared by the author based on data from the State Statistical Committee of the Republic of Azerbaijan [122]

The data provided in Table 3 reflect how the dynamics of inflation, price indices in the furniture and woodworking sectors, as well as retail price growth in Azerbaijan during 2019–2023, have changed at different stages in the country's macroeconomic situation. During this period, the overall inflation rate was 2.6% in 2019, and increased slightly in 2020 to 2.8%. In 2021, this indicator was 6.7%, and in 2022 it increased sharply to 13.9%. In 2023, inflation slowed down somewhat, falling to 10.9%. This trend can be explained mainly by geopolitical tensions in world markets, global increases in food and energy prices, as well as supply chain problems arising during the post-pandemic recovery period. In the furniture and woodworking sectors, price indices also show a parallel increase with inflation. In 2019, this index was recorded at 102.1%, in 2020 at 101.2%, in 2021 at 107.4%, and in 2022 at 113.1%. The decrease in the index to 104.0%

in 2023 indicates a partial restoration of price stability. Price increases in this area can be mainly attributed to changes in raw material prices, an increase in the cost of imported materials, and a general increase in production costs. The average retail price increase also changed in line with inflation indicators during the period. In 2019, retail growth was in the range of 10-12%, and in 2020 this indicator stabilized between 8-10%. In subsequent years, especially since 2021, growth accelerated and increased to the range of 12-15% in 2022. In 2023, this indicator decreased to 10-14% with a certain decrease. This indicates that the pressures on the consumer market have relatively decreased, but prices still remain high compared to previous years.

The indicators related to the current profitability of furniture production and retail sales in the period 2019-2023 are reflected in the table below, referring to the data of the State Statistical Committee of the Republic of Azerbaijan.

Import dominance still remains in the home appliances market. Digital trade statistics show that the main brands preferred by the population in household appliances such as refrigerators, washing machines, televisions and air conditioners are foreign manufacturers such as "Samsung" (63%), "LG" (57%), "Beko" (23%), etc. In addition to the above, it should be emphasized that the production of local electrical equipment is progressing at an increasing pace (101.9 million manat with a half-year result in 2023), but the production of household electronics is still very small. The state's focus on the mentioned area and the implementation of continuous economic reforms in this area will undoubtedly contribute to the optimization of the listed indicators. For example, it can be said that the promotion of domestic production and the introduction of the Azerbaijani brand to the world market are set as goals in the Strategic Roadmap. As a result of the continuous economic reforms implemented, the volume of household goods production has increased in recent years as follows.

Table 4 shows the overall growth dynamics of furniture production in Azerbaijan in 2019–2023. In 2020, production decreased sharply (approximately 26.2% decline), but in 2021, it amounted to 235.4 million AZN, an increase of 24.8% compared to the previous year. The growth continued in the next two years, reaching 265.1 million AZN

in 2022 and 292.8 million AZN in 2023. The total growth during this period is approximately 14.3%. At the same time, furniture imports also increased, amounting to \$98.6 million in 2021, \$117.1 million in 2022, and \$132.1 million in 2023. The share of imports varied within the range of 0.6–0.8% in 2019–2023. This dynamics is mainly explained by two factors. First, the expansion of domestic furniture production capabilities and increased domestic demand gave impetus to the industry. For example, the increase in production in 2021–2023 is associated with state support and the opening of new production areas in industrial zones. Second, in 2020, a decrease in production was observed due to the COVID-19 pandemic; in the subsequent period, the effects of the pandemic subsided, creating conditions for the restoration of demand and production. As a result, in 2023, furniture production already exceeded import volumes by ~30%, indicating the strengthening of the domestic market, which replaces exports. These figures indicate that domestic production mainly supplies the domestic market².

Table 4.

**Comparison of furniture production and import in Azerbaijan
by years (2019–2023)**

Year	Furniture production (million AZN)	Growth compared to the previous year (%)	Furniture imports (\$ million)	Share in total imports (%)
2019	255.6	–	–	–
2020	188.7	–26.2	74.5	0.60%
2021	235.4	+24.8	98.6	0.84%
2022	265.1	+12.6	117.1	0.70%
2023	292.8	+10.5	132.1	0.76%

Source: Prepared by the author based on data from the State Customs Committee and State Statistical Committee of the Republic of Azerbaijan [120, 121]

In the post-conflict period, reconstruction projects and the creation of new residential areas within the framework of the “Great Return” program will further increase the demand for household goods. This creates additional opportunities for strengthening domestic production

² <https://www.stat.gov.az/news/index.php?lang=az&id=4785>

and improving product quality.

In terms of control and regulation, the State Statistics Committee and the Ministry of Economy monitor the market. However, a certain share of informal production still exists and additional measures are needed to increase transparency in this area.

It should be noted that strengthening the local innovation potential and developing the national innovation system in the field of household goods production is important. In order for new products and services to emerge precisely as a result of the creative work of local scientists and engineers, appropriate legal and organizational mechanisms should be improved. With the support of the state and the initiative of business, it is possible to increase the competitiveness and export potential of this sector.

Chapter III of the dissertation is entitled **“Directions for improving the organizational and economic mechanism for providing the domestic market with household goods”**. Here, the issues of institutional and technological modernization of the organizational and economic mechanism for supplying the domestic market with household goods were examined, the directions of improving state support for the production of household goods in Azerbaijan and the impact of the use of foreign investments on the development of household goods production were studied. Also, this chapter identifies the components of the organizational and economic mechanism for supplying the domestic market with household goods and the interaction between them (figure 2).

A large part of the household goods market in Azerbaijan is based on imports. According to studies, since household goods are not produced in the republic, this segment of the market is completely dependent on imports. As a result, the volume of products imported from abroad has increased, which has had a serious impact on the flow of foreign exchange. For example, since 2015, the share of food products in the structure of imports has fallen to 18%, while the specific weight of household goods imports has rapidly increased and the flow of foreign exchange from the country has strengthened. The main role in the growth of imports falls on household appliances and equipment products from European and Asian markets: the leading

countries in imports are Italy, Germany, China, etc. This indicates the importance of identifying priority areas for replacing domestic production in the domestic market.

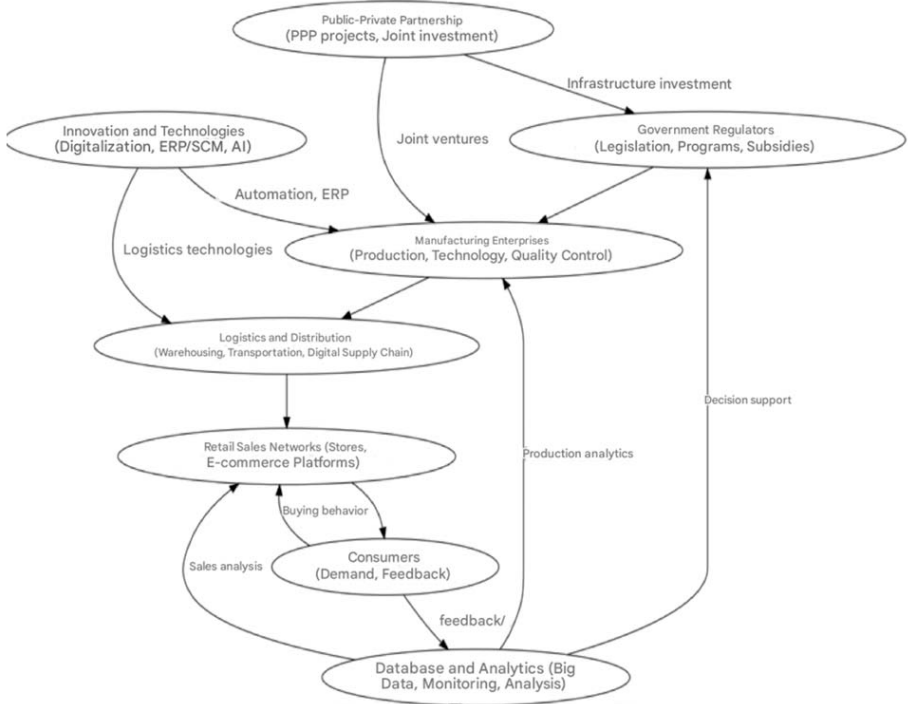


Figure 2. Components and interrelationships of the organizational-economic mechanism for supplying the domestic market with household goods

Source: Prepared by the author based on research.

Due to the high demand for household goods in the domestic market of Azerbaijan and the still limited domestic production, dependence on imports remains. Analyses show that in significant segments of the market, demand is met through imports, which leads to a foreign exchange deficit. Thus, the following practical recommendations are put forward to strengthen domestic production:

- Stimulation of domestic production: Further strengthen mechanisms that promote localization in public procurement. For

example, apply the condition of giving preference to local products in the purchase of household goods.

- Technological innovation and quality control: Direct credit funds to local manufacturers for the purchase of high-level technical equipment. Strengthen the regulatory framework for product design and certification (ISO and national standards).

- Creation of a database: Form a single database on the dynamics of production and sales for all categories of household goods. Establish electronic systems for collecting, analyzing and distributing market data in accordance with international experience (e.g., a statistical information platform based on hard drives, cloud services).

- Education and research support: Support educational programs, technical and research institutes that train qualified personnel for new production areas. Increase laboratory testing and technical expertise opportunities for local enterprises.

- Export development: Explore their export potential by bringing the quality of domestic household goods to international levels. Thus, an industrial strategy aimed at export in addition to import substitution can be applied. A state support package (marketing, credit) should be applied in this direction.

It should be noted that the demand of the domestic market will be effectively met not only by increasing production, but also by improving the quality of domestic production and establishing informed decision-making mechanisms. When scientifically based proposals are applied, Azerbaijan will reduce imports in the household goods market, protect foreign exchange reserves and provide sustainable growth to local producers.

At the beginning of the 21st century, methodologies for assessing the progress of global and national economies are different. Each historical period has its own qualities and requirements. Therefore, the improvement of the national economy, the establishment of entrepreneurial activity, and their support by the state are topical issues at the present stage. The recent changes that have occurred in the global economic system over the past 10-15 years are reflected in the

composition of the forces affecting development³.

Human capital is the basis of the changes observed in all sectors of the country's economy, including the production of consumer goods. Human capital encompasses the knowledge, skills, behaviors, and competencies possessed by individuals. It represents the creative potential of an individual, and when applied to the development of knowledge-intensive industries, it ultimately shapes the trajectory of an economy based on high technologies. Consequently, the training process should focus on organizing scientific activity that contributes to the improvement of professional competence. Thus, the following work should be carried out in the production sector of household goods, which is not produced in our republic, regarding the use of human capital:

- 1) development of professional competence;
- 2) creation of the ability to make production knowledge-intensive;
- 3) motivation of active innovation activity;

This shows that human capital creates conditions for wide replication in a modernized economy. Given that the production of household goods is a knowledge-intensive industry, it is very important to recognize the importance of the creation stage. The creation of capital and provision of state support for remanufacturing in the household goods sector, as a segment of the knowledge-intensive economy, primarily includes the following stages⁴:

- creation of a flexible organizational and economic mechanism for organizing the production of household goods based on modern technologies;
- organization of a strong material and technical base for the transition to intensive large-scale reproduction through the use of scientific and technical achievements.

The state's support for local entrepreneurs in the field of household goods production should be multifaceted and based mainly on the

³ Maharramov, H. (2015). On the production of household appliances in the world. Baku, 175 p.

⁴ Mammadov N., Barxudarov M., (2006), Economic security. University of Economics Publishing House (UNEC) – Baku, 452 p.

following principles⁵:

- protection of intellectual property rights by the state in areas that determine scientific and technical progress in the country;
- ensuring unhindered access to open telecommunications and information;
- patronage of private and state-owned scientific research, experimental and design organizations, as well as pilot plants, industrial parks, and industrial districts;
- formation of economic conditions for the production of new products in the household goods industry, assistance in the widespread dissemination of new technologies of great importance for the republic;
- creation of a bank of scientific and technical products, the work of creative scientists of our republic, which ensures international competitiveness in the production of household goods.

It is important that household products meet high quality standards and comply with international certificates. The creation of national certification and quality marks will not only increase consumer confidence, but also facilitate recognition in foreign markets. The organization of cluster-based industrial zones will form a favorable environment for manufacturers with infrastructure and joint use opportunities.

CONCLUSION

The scientific approaches, results, and recommendations obtained as a result of the study and generalization of the organizational-economic mechanism of supplying the domestic market with household goods can be expressed as follows:

1. The theoretical foundations of the organizational-economic mechanism have been clarified. Studies have shown that in the

⁵ Aliyev A.A., Shekaraliyev A.Sh., Dadashov I.Sh., (2003), World Economy: Problems of the Modern Era, (Monography). Baku, "Baku University" Publishing House, 455 p.

economic literature, the concepts of “household goods” and “household appliances” are often identified. However, there are semantic and functional differences between these concepts. Thus, household goods mainly have a simple construction, are used independently, and are aimed at improving a person’s daily living conditions. Carrying out this differentiation on scientific grounds creates a fundamental basis for structuring the organizational-economic mechanism and making decisions on its optimal model. This approach also creates conditions for the correct classification of product categories and the purposeful organization of production.

2. The mechanisms that ensure the balance of the domestic market have been identified. As a result of the dissertation, it was determined that the balance of supply and demand in the household goods market ensures the stability of the consumer market. This imbalance leads to inflation, price fluctuations and increased dependence on imports. Therefore, a mechanism for analyzing modern demand in real time and forming the production structure accordingly is important. These mechanisms are of strategic importance in terms of ensuring uninterrupted supply and economic sustainability in the domestic market.

3. The role of domestic production in terms of socio-economic well-being is justified. In recent years, the increase in the population's demand for household goods and the enrichment of product ranges in this area is associated with an increase in social well-being. Although this demand is mainly met by foreign manufacturers, the increase in the number of high-quality and competitive local products in the domestic market can change the population's consumption behavior in a positive direction. This approach can also contribute to strengthening the national economy and keeping foreign exchange flows within the country.

4. Strengthening the middle class is considered a key factor in the development of the domestic market. As a result of the study, it was determined that the consumption behavior of the middle class and its role in the household market are one of the main indicators of the socio-economic structure. The weak representation of the middle class in Azerbaijan creates serious difficulties in the development of this

market. It is important to strengthen the role of this group compared to Western European countries, because it is this social group that creates stable and sustainable demand, promotes local production and balanced development of the domestic market.

5. It was recommended that regions be transformed into specialized production centers. In order to eliminate the dependence on large-scale imports and develop domestic production areas, it is advisable to create specialized production centers in the regions. In particular, the formation of clusters focused on the production of household goods in regions with industrial potential such as Baku, Ganja, Nakhchivan and Salyan can contribute to meeting domestic demand, increasing regional economic activity and increasing employment. This approach will also play an important role in balancing regional development.

6. Product priorities and production directions have been determined. During the study, it was determined that there is a high domestic demand for vacuum cleaners, washing machines, combi-cookers, juicers and other household appliances. On the one hand, directing local production to these products will reduce import dependence, and on the other hand, it will create conditions for the localization of the economic value chain. Such an approach will strengthen the position of national production by reducing import dependence, and at the same time will create an opportunity for the formation of an economic value chain within the country. For this purpose, the development of appropriate support mechanisms, investment incentive packages and technology-oriented programs is considered important.

7. Advertising and brand promotion have been put forward as the main tool for strengthening the domestic market. State-supported advertising campaigns and participation in international exhibitions are necessary for the promotion of local products and their competition with international brands. For local manufacturers with limited resources, these incentives can play a decisive role in launching products on the market and forming brand value. This approach will strengthen the position of local brands in both the domestic and foreign markets in the long term.

8. The role of innovative management and technological

applications was emphasized. In order to accelerate digital transformation in the manufacturing sector, the implementation of Enterprise Resource Planning, Supply Chain Management, artificial intelligence and other intelligent management systems was recommended within the framework of public-private sector cooperation. These technological applications will not only increase product quality and production efficiency, but will also increase the transparency and efficiency of management processes. Such an approach is of strategic importance for building sustainable and flexible production structures in a global competitive environment.

9. The importance of applying the cooperative production model was substantiated. As a result of the study, it was determined that the application of cooperative production models is appropriate to increase the level of efficiency in the production and sale of household goods. Cooperatives are a favorable structural form, especially for small and medium-sized enterprises, in terms of pooling resources, sharing risks and more efficient organization of the production process based on common management. Within this model, it is possible to attract joint investments, share production means and technologies, as well as fairly and transparently distribute the income obtained. Cooperatives also increase competitiveness by expanding the market access opportunities of producers. The study shows that the application of such cooperative models can serve the realization of local production potential in the regions and the formation of alternative export industries.

10. A sectoral model for attracting foreign investments has been proposed. A new approach to the sectoral orientation of foreign investments has been proposed in the dissertation work. Studies have shown that the planned and purposeful direction of foreign direct investments to non-oil sectors will expand the supply opportunities of the domestic market, accelerate the diversification of the economy and lead to an increase in added value in national production. A favorable investment environment created, especially in rural areas and industrial zones, can ensure the development of local production and export-oriented products. In this direction, measures such as the promotion of industrial parks, free economic zones and technoparks,

the protection of investors' rights, and the creation of stable tax and customs regimes are considered important. The formation of investment models by sectors will allow both to meet domestic demand for strategic products and to restore economic balance in the regions. As a result of the study, it was also determined that this approach, in addition to preventing currency leakage, also creates conditions for increasing the technology and management experience entering the country.

11. The need to establish information bases and implement analytical systems is justified. The dynamics of supply and demand in the domestic market are constantly changing, and in order to monitor these changes, it is necessary to create digital information systems operating in real time - including Big Data technologies, advanced analytical tools and monitoring platforms. Such systems will enable manufacturers to respond flexibly to market demands, make more targeted decisions in planning product ranges, and allocate resources efficiently. At the same time, these information bases can also play a significant role in policy formulation at the state level and increase the flexibility of regulatory regulations.

12. An adapted strategic model for national production based on international experiences has been proposed. The results of the study showed that high-tech “smart” production systems and product design approaches applied in industrially developed countries such as the USA, Germany and Japan can be adapted and applied to the local production environment of Azerbaijan. These technologies, in addition to increasing product quality, optimize production processes, increase the efficiency of the value chain and expand export potential.

The following scientific articles and theses of the author have been published regarding the main provisions of the dissertation work, the results obtained, and the proposals:

1. Formation and development of the household goods segment of the domestic market in Azerbaijan. // – Baku: ANAS News. Economic Sciences Series, Baku, 2019, No. 3. – pp. 239-244.

2. Issues of providing the domestic market with household goods. // – Baku: “Cooperation” scientific and practical journal, 2019, No. 1 (52). – pp. 209-213.
3. Global coordination and official assistance to achieve development goals // – Ukraine: Journal “Economy and Power”, 2020, No. 10. – pp. 131-135.
4. Issues of improving the structure of imports in Azerbaijan. // – Baku: “Cooperation” scientific and practical journal, 2020, No. 2 (57). – pp. 177-182
5. Social strata of the population and the development of the household goods market in Azerbaijan // - Moscow: Innovative approaches in modern science. Collection of articles based on the materials of the LXXXVI international scientific and practical conference, 2021, No. 2 (86). - pp. 123-129.
6. The importance of developing international trade relations for the growth of the market for innovative products // – Cyprus: Components of Scientific and Technological Progress, 2021, № 12 (66). – 3. 43-47.
7. International trade and the development of the household goods market in the republic. // – Baku: “Cooperation” scientific and practical journal, 2021, No. 1 (60). – pp. 202-208.
8. Improving the mechanism for applying foreign investment // - Moscow: Innovative approaches in modern science. Collection of articles based on the materials of the CIV international scientific and practical conference, 2021, No. 20 (104). - pp. 46-51.
9. The quality of household goods in modern conditions and the main development factors in their trade sector // – Baku: Materials of the International Scientific and Practical Conference on “Quality Assurance as a Key Factor of Competitive Economic Development” dedicated to the 99th anniversary of the birth of the National Leader Heydar Aliyev, May 5, 2022. – pp. 406-408.
10. Study of the international experience of organizational and economic mechanisms for supplying the domestic market with household goods // – Baku: “Cooperation” scientific and practical journal, 2024, No. 4 (75). – pp. 106-112.
11. Introducing household goods produced in the republic to the

world market as an Azerbaijani brand // – Baku: “Audit” scientific and practical journal, 2025, No. 1 (47). – pp. 134-143

12. Study of development trends in the production of household goods in retrospect and in the modern period // – Baku: Eneco – News of the Energy Economy Center, 2025, No. 01 volume 21 (06). – pp. 55-63.

13. Providing the Domestic Market with Consumer Goods in International Practice // - Moscow: Journal "Competitiveness in the global world: economics, science, technology", 2025. No. 02.

14. Features of providing the consumer market with consumer goods and their justification as factors for improving living conditions of the population // - Penza: Actual issues of science and education. Collection of articles of the III International scientific and practical conference, February 25, 2025. - pp. 90-92.



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