

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Sciences

DIRECTIONS FOR REGULATING THE LONG-TERM DEVELOPMENT OF LIGHT INDUSTRY

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INTRODUCTION

Research issue rationale and development rate. In the context of the market-oriented transformation of the national economy and its gradual modernization, the need for an effective solution to the problems of long-term development of the light industry sector of Azerbaijan comes to the fore as an urgent scientific and practical issue. In particular, the solution of these problems necessitates the formation of mechanisms for the sustainable development of industrial complexes that ensure the production of consumer goods. Over the past decades, the Azerbaijani economy has demonstrated high and sustainable economic growth rates, and has stood out among the countries of the region and the CIS in terms of the dynamics and scope of development of the industrial sector. The main fulcrum of this growth is related to the reorganization and management of industry - especially processing industry enterprises - based on modern management methods. In such conditions, it has become necessary to further strengthen the functional role of light industry in the economic system and develop new approaches to its integration into the world economy. At the current stage, increasing the country's industrial potential is directly related to a number of key factors. These include ensuring sustainable economic development, eliminating macro and microeconomic instability, implementing efficient management in the light industry sector, and modernizing the strategic management mechanisms of this sector. All the above-mentioned directions are also of vital importance in terms of ensuring the country's social welfare, employment level and balanced development of the regions. In this regard, it can be rightly emphasized that *"the stable and dynamic development of light industry acts as one of the main pillars of the country's socio-economic development model."*

It should be noted that the management crisis has manifested itself most sharply in the textile and light industry sectors in general compared to other industries. This crisis, as a result of the abolition of the centralized management system in the national economy, has resulted in almost all light industry enterprises falling into an extremely difficult economic situation. The light industry sector,

which is facing difficulties, has faced numerous problems not only of an economic nature, but also of an organizational, technical, financial, social and psychological nature. The research results show that the management system currently existing in light industry enterprises neither forms a basis for effective development, nor is it able to solve complex problems efficiently and promptly. The sector still has low information transfer capacity, weak logical-analytical potential, inefficient information flow and an inefficient organizational structure. Therefore, in modern economic conditions, the management apparatus of light industry enterprises faces serious limitations in terms of flexible and optimal decision-making. For this purpose, the document “Azerbaijan - 2030: National Priorities for Socio-Economic Development” was adopted and the “Socio-Economic Development Strategy for 2022-2026” was prepared, reflecting these directions ¹.

By the Decree of the President of the Republic of Azerbaijan dated July 22, 2022, the “Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026” states: *“The Azerbaijani state is entering a qualitatively new strategic development stage covering the years 2022–2030 in the post-pandemic and post-conflict period. During this strategic phase, through new-generation structural and institutional reforms, the activation of modern and sustainable sources of economic growth, further strengthening of the innovative orientation and financial stability of the national economy, and the effective integration of the country’s economy into the global value chain, the Azerbaijani state, by further enhancing its strength, is determined to realize new goals in building a high-welfare society.”*²

Based on all the above, it can be stated that light industry, as one of the key sectors of the national economy, faces highly responsible tasks. The fulfillment of these tasks requires comprehensive approaches that cover not only the short-term period but also long-

¹ Azerbaijan 2030: National Priorities for Social Development // Approved on February 2, 2021. – Baku: Qanun, – 2021.

² Decree of the President of the Republic of Azerbaijan dated July 22, 2022 “On the approval of the Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026”, Baku – 2022, p. 88].

term development prospects. The main strategic objective is to significantly enhance the role of light industry in the process of forming the domestic market and ensuring its supply with competitive local products under the conditions of the national economy's integration into the global system.

The assessment of the prospective opportunities of the domestic light industry sector necessitates the development of specific scientific-methodological approaches and practical regulatory instruments. This constitutes one of the key factors that predetermine the relevance of the present dissertation research. Such an approach, proceeding from an objectively substantiated scientific standpoint, makes it possible to implement the strategic directions of light industry development and to identify new economic and institutional factors that may influence this sector.

As for the degree of elaboration of the topic, it should be noted that the theoretical-methodological and practical aspects of regulating the long-term development of light industry have been studied by various representatives of Azerbaijani economic science. Among the scholars who have conducted research in this field are Z.A. Samedzade, E.A. Guliyev, I.H. Ibrahimov, G.Z. Yuzbashiyeva, E.A. Ibrahimov, V.A. Ismayilov, I.M. Abbasov, B.Kh. Atashov, M.M. Baghirov, A.A. Alekperov, T.N. Aliyev, F.O. Hajiyev, Kh.O. Mehdiyev, F.A. Mammadov, F.A. Valiyev, R.A. Sailov, and others. Their works reflect important issues such as the development of light industry, structural reforms, the efficient use of resources, and the role of state policy.

In the CIS countries, the works of such economists as L.N. Abutalipova, O.K. Akramova, V.M. Bondarev, N.V. Borovskikh, A.V. Gavriyuk, N.A. Gvilia, E.S. Gorevaya, K.V. Bedareva, S.E. Epanchintseva, N.S. Ivashchenko, A.O. Kadnikova, and others present various approaches to the development of light industry.

In developed countries, the works of renowned researchers such as R.H. Ballou, Jeffrey H. Moore, Larry R., E. Rothbarth, S.H. Ali, and others are of particular importance in the study of light industry management, economic regulation, and efficient operational mechanisms.

However, in most of the aforementioned researches, the structural elements of the economic regulation mechanism of light industry and the interrelations among these elements, as well as the sector's specific characteristics, have not been comprehensively and systematically examined. Issues such as management, the competitive environment, the interaction of monetary-credit and fiscal policies, and the enhancement of the efficiency of these interrelations have not received sufficient attention in existing research. It is precisely in order to fill this gap that the present study analyzes the above-mentioned factors in a harmonized manner and evaluates them on the basis of new scientific grounds.

Object and subject of research. The object of the research is the light industry sectors operating in the Republic of Azerbaijan, as well as the enterprises and governing bodies involved in the development of this field.

The subject of the research comprises the economic regulation and management mechanisms that ensure the long-term and sustainable development of the light industry sector, the methodological approaches applied, development trends, efficiency indicators, and the internal and external factors influencing the performance of this sector.

Aims and objectives of the research. The purpose of the research is to evaluate, on scientific-theoretical grounds, modern management approaches and economic regulation mechanisms aimed at ensuring the long-term development of the light industry sector in the Republic of Azerbaijan, to identify the directions of its sustainable development, and to formulate an effective management model. To achieve this goal, the following scientific and practical tasks have been set:

- to systematize and characterize the management tools and methods applied in light industry enterprises under modern conditions;
- to analyze the role of effective management approaches in the context of intensifying competition in the economy;
- to study the scientific-methodological foundations of sustainable development of the light industry sector;
- to conduct a comparative analysis of the development dynamics of light industry branches;

- to assess the current state of Azerbaijan’s light industry and the impact of external economic factors on the sector;
- to identify the modernization opportunities and innovation potential of industrial enterprises;
- to determine the role and opportunities of the sector in the development directions of economic regulation instruments and the macroeconomic structure;
- to model and optimize the organizational structure of light industry enterprises from a strategic management perspective;
- to develop proposals for digitalization and improving the efficiency of business processes;
- to explore ways of improving management and economic mechanisms in the development of the light industry sector in line with the strategic priorities of the state.

Research methods. The methodological basis of the research is formed by modern economic regulation methods and systematic approaches that ensure the development of the light industry sector. In order to comprehensively study the topic, the dissertation employs scientific research methods such as econometric modeling, economic-statistical analysis, logical generalization, forecasting, grouping, and comparative evaluation. These methods are of particular importance for identifying the structural features, development trends, and efficiency levels of the sector.

During the research, the existing scientific literature, normative-legal documents, and strategic state policy documents related to organizational and economic regulation mechanisms of the light industry were extensively analyzed. In particular, the relevant legislative acts on sector development, decrees and orders of the President of the Republic of Azerbaijan, resolutions of the Cabinet of Ministers, official data from the State Statistics Committee, “Strategic Roadmaps of the Republic of Azerbaijan,” the “Socio-Economic Development Strategy for 2022–2026,” and other state programs served as the main information sources. This comprehensive methodological and informational base not only ensures the scientific foundation and objectivity of the analysis and findings but also provides a basis for substantiating the long-term development

directions of the light industry.

Basic theses for defense. In accordance with the purpose of the dissertation, the following provisions were defended in order to investigate the problems of regulating the long-term development of light industry:

- It is substantiated that the dynamics of economic relations among light industry enterprises depend not only on external factors but also on internal, localized interests.
- In the context of global economic integration, the production and trade of light industry products require a higher degree of integration and coordination in alignment with the foreign economic policy priorities of respective countries.
- Under globalization, the inclusion of the light industry sector in the international division of labor necessitates the regional circulation of investments, advanced technologies, and human capital.
- Modernizing the organizational structure of light industry enterprises and transitioning to flexible management models is crucial for ensuring the sustainable development of the sector.
- Given the territorial constraints of traditional industrial clusters, which hinder the formation of modern production-sales networks across extensive geographic areas, the implementation of a novel “organizational-management cluster” model is proposed.
- It is recommended to form a unified management system through the synthesis of alternative management approaches and the adoption of optimal operational models.
- The renewal of the light industry sector requires a comprehensive approach, acknowledging the interdependence among all organizational, technological, and social components.
- To reconcile the interests of entrepreneurial entities, a comprehensive system of economic, social, and legal mechanisms should be established.
- The management of human resources and the implementation of a material incentive system are identified as critical elements for

enhancing the overall management structure of enterprises.

Scientific novelty of the research. The scientific novelty of this dissertation is demonstrated in the following key directions:

- For the first time, a strategic management model based on the modernization of Azerbaijan's light industry has been developed on a scientific basis.
- A functional model has been proposed for the economic integration of light industry products, particularly footwear, with domestic and international markets.
- The principles and directions of management policy during the sector's modernization process have been identified and substantiated.
- The structure of the organizational-management cluster model has been developed, alongside its interconnection scheme with international production-sales chains.
- The structural design and development strategy of efficient modernization mechanisms have been formulated.
- The main directions for renewal in the light industry, along with a phased development classification, have been incorporated into scientific discourse.
- Based on international experience, the sector's financing mechanisms have been systematized and presented.
- Dynamic programming models have been developed to ensure the efficient management of the "Production – Transport – Storage" chain.
- A functional framework for the personnel training system has been established.
- A novel variant of the enterprise-level economic management mechanism has been proposed, including an optimal organizational structure model for knitting enterprises.
- A decision-making model, grounded in the analysis of alternative options and the application of dynamic programming for the optimized selection of light industry products, has been formulated.

Theoretical and practical significance of the research.

The theoretical significance of the dissertation lies in the fact that the proposed theoretical-methodological provisions, management, and regulatory models for the scientific regulation of the long-term and sustainable development of the light industry sector in the Republic of Azerbaijan can serve as a reliable scientific foundation and reference source for future research in this field. The scientific approaches presented in the study can provide theoretical support for addressing existing organizational, economic, and institutional problems in the sector's development, as well as for optimizing management mechanisms.

The practical significance of the research is that the results and recommendations put forward in the dissertation can be applied in the preparation of state programs and projects aimed at the strategic development of the light industry sector, in the formulation of economic policy, and in the decision-making processes of relevant state institutions, production enterprises, and sectoral management bodies.

Moreover, the findings of the dissertation can be used as supplementary material in higher education institutions for teaching subjects such as "Industrial Economics," "Management," and "Economic Policy." This, in turn, highlights the study's significance both in scientific-pedagogical and practical terms.

Approbation and implementation of the research. The essence of the dissertation lies in the theoretical-methodological and practical considerations, new scientific approaches, proposals, and recommendations put forward by the author, which have been published in a total of 15 articles and 9 theses (of which 11 articles and 4 theses were published abroad). Among the conference materials, the following theses can be highlighted: "The Current State and Development Prospects of Personnel Provision in Our Country's Textile Enterprises" (Mingachevir, 2020), "Factors Affecting the Competitiveness of Light and Textile Industry Products" (Moscow, 2023), and "Development of the Consumer Goods Market under New Conditions" (Moscow, 2024).

During the research, the author has also published articles such as

“Ways to Improve the Competitiveness of Light Industry Enterprises in Our Country” (Baku, 2019), “Modern Trends in the Development of Azerbaijan’s Light Industry” (Kursk, 2022), “Key Characteristics of Logistics and Supply Chain Management in the Light Industry Sector” (Ivanovo, 2024), “Analysis of Symbolic Meanings Used in National Clothes of Bukhara, Samarkand, and Nurata” (2022), and “Investigation of the Strength of Thread Connections of Parts of Workwear Made of Fabric of New Structures” (2022).

The main scientific provisions and recommendations of the applicant’s research have been approved for application by the Scientific-Technical Council of “Ganja Textile” JSC (Report No. 1 dated 03.02.2025).

The name of the organization where the dissertation was conducted. Azerbaijan University of Technology.

The total volume of the dissertation, with a mark indicating the volume of the structural sections of the dissertation separately.

The dissertation consists of an introduction, 4 chapters, a conclusion and a list of references. The introduction is 15301 characters, the first chapter is 92673 characters, the second chapter is 74550 characters, the third chapter is 137842 characters, the fourth chapter is 109350 characters, the conclusion is 12580 characters and the list of references is 33515 characters. The total text part of the dissertation is 442296 characters, excluding tables, graphs, appendices and the list of references.

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THE RESULT

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BASIC CONTENT OF THE DISSERTATION

In the "**Introduction**" of the dissertation explains the relevance of the topic, the state of study of the problem, the goals and objectives of the research, its object, subject, scientific novelty, practical significance, and approval.

In **Chapter I** of the dissertation entitled "**Theoretical and methodological foundations of light industry development management**", management tools of light industry enterprises in modern conditions; new approaches and innovations of management in a competitive environment, and scientific and theoretical foundations of sustainable development of light industry were studied.

At the end of the 20th century, the development of the Azerbaijani economy on the basis of market relations was mainly characterized by the generalization of foreign experience in the field of market reforms. However, at the modern stage, the need for the application of new management approaches in accordance with the global competitive environment is becoming more apparent in economic science and practice. This is especially evident in the Azerbaijani economy under the influence of the global financial crisis, including the analysis of the problems of the operation and development of light industry enterprises. Studies show that *Light industry is included in the sub-sectors of the processing industry and is an integral part of the non-oil oil industry sector. This industry is distinguished by its structure, raw material base and its own characteristics. Light industry has undergone a unique historical development path and is currently an industry producing a wide variety of consumer goods based on complex technologies*³.

Light industry is a set of specialized industries that produce mass consumer goods from various types of raw materials and carry out both the primary processing of raw materials and the release of finished products, including:

- weaving, including cotton, silk, linen, hemp and net weaving,

³ Abbasov I.M. Aliyev T. N. Economics of non-oil industry/ I.M. Abbasov, T.N. Aliyev, Textbook. Baku, "Science and Education" - 2017-501 p.

knitting, carpet weaving, felting;

- sewing (clothing) industry;
- haberdashery products;
- leather and leather products;
- fur farming;
- shoemaking.

Currently, about 50 thousand people work in the light industry sector of Azerbaijan, of which 42 thousand are engaged in the production of leather and footwear. However, at present, the vast majority of light industry enterprises are facing serious economic difficulties. In particular, the problems in the footwear sector are more acute. For example, during the former USSR, about 800 million pairs of shoes were consumed annually, of which 45% (350 million pairs) were provided by local industry, and the rest depended on imports. Today, according to expert estimates, the volume of the local shoe market is about 400 million pairs per year, which means that the number of shoes per capita is 1.5 pairs per year. In this context, the main vectors of the economic development policy of the shoe sector of light industry, in particular the issues of the import of finished shoes, raw materials and components, are radically different.

The crisis of light industry in Azerbaijan was largely “artificially created”. The subsequent development of events confirmed both the viability of domestic production of consumer goods and its ability to develop.⁴ This required new approaches to the management of enterprises and their unification in the form of corporate groups. At present, the objective globalization trends of business in the field of production and sale of light industrial products have become one of its main characteristics, a qualitatively new stage of development of the light industrial goods market, which in general determines the need for the transformation of organizational and economic management mechanisms of light industrial enterprises. In the coming years, the globalization process in the economy can be characterized by the following⁵:

⁴ Egorshin, A. P. Effective management organization: учебное пособие / А.П. Егоршин. - Moscow: ИНФРА-М, 2021. - 388 с.

⁵ Volodina, O.A. Innovative management: учеб. allowance / O.A. Volodina, E.Yu. Faddeeva, A.A. Neretin. - М.: MADI, 2019. - 96 p.; etc. 85

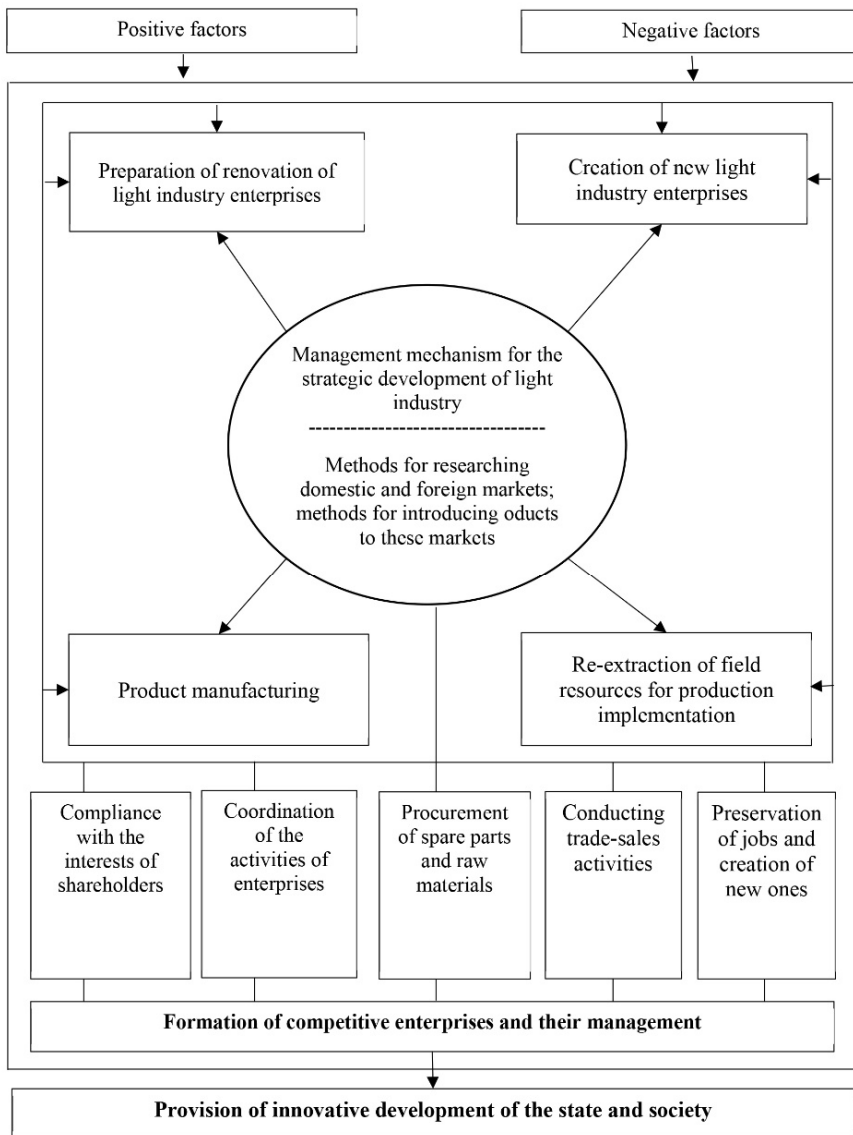
- *integration of economic and information development of economies, the creation of single information and investment spaces;*
- *mutual integration of markets, management systems and production structures, the creation of a competitive advantage for entities participating in world trade;*
- *proactive development of information and telecommunication technologies, the expansion of their application areas in industrial production and management;*
- *formation of new investment technologies based on the correct information provision and international regulatory and legal regulation of investment decisions;*
- *application of high technologies in all areas of human activity, the fact that these technologies cause radical changes in lifestyle and means of production;*
- *balanced development of the investment market infrastructure, functional integration of investment institutions and redirection of financial instruments into a single system;*
- *unification of investment legislation and creation of interstate legal agreements at the international level, increasing the direct impact of this process on investment flows;*
- *the possibility of free and flexible movement of capital to regions with more favorable investment conditions.*

Among the disadvantages of globalization, one can single out various types of crisis situations and threats that are part of the regularities of the development of the world economy and, accordingly, the economy of Azerbaijan, which should distinguish the possibility of their further escalation. In recent times, we can emphasize the emergence of such a new situation as the strengthening of competition in the economy of our country by foreign companies located abroad and by national subsidiaries of foreign companies. In this regard, a new approach is required to the problems of developing modernizing management methods in general and combating crisis threats at domestic light industry enterprises in particular. In the conditions of modernizing changes, the importance of modernizing management technologies for the work of light industry enterprises is constantly increasing, and this makes them the object of serious

attention of both state bodies and commercial organizations, and especially their structures engaged in strategic management, including the fight against various external harmful influences. Among these influences, the greatest threat, especially in the conditions of modernizing changes, is the increase in competition from foreign corporations (China, Turkey, etc.). Thus, a serious threat to light industry is also posed by the strengthening of the most dangerous forms of foreign competition, which is especially dangerous in the context of the ongoing integration of the economy with the world economy. A distinctive feature of the national economic situation in connection with the consequences of the global financial crisis is the need to make management decisions in a short time. As a rule, the problem in making and implementing effective management decisions due to the consequences of the global financial crisis is the lack of information necessary for a more efficient assessment of the situation. In such conditions, the limitation of relevant information resources creates additional difficulties for the effectiveness of management decisions. As a result, the intellectual analysis of data, the application of operational decision-making technologies become even more relevant. Management of industrial enterprises in the context of the global crisis is distinguished by the following specific features:

1. individual and specific nature of enterprise development;
2. the need for short-term decision-making;
3. uncertainty and volatility of the external economic environment;
4. abundance of data and structural diversity;
5. the presence of multinationality, multilevelness and complex interrelationships in terms of competitiveness.

The interaction between functional blocks and their response to external factors determine the direction of economic development of light industry. Successful management of this complex system requires the integration of the efforts of state bodies and the private sector, coordination of the activities of various enterprises, and the development of effective strategies to respond to challenges. A scheme similar to that shown in Scheme 1. can visualize this interaction, demonstrating the relationship between functional blocks, external factors, and strategic development goals.



Scheme 1. Management model of strategic development of Azerbaijan's light industry in the context of modernization.

Source: compiled by the author

Successful strategic management of the Azerbaijani light industry in the conditions of modern modernization requires a radical improvement in the quality of decision-making at all management levels. This includes not only the creation of more efficient economic, financial, production, personnel and other functional management systems, but also the development and implementation of a comprehensive strategy based on advanced management and information technologies, as well as the application of modern methods of analysis of big data. Globalization, increasing competition and the transnationalization of business in light industry dictate the need to reconsider traditional management concepts and adapt to new market realities. This implies the solution of a number of interrelated tasks that determine the effectiveness of modern management systems in this area. Analysis of global trends in the development of market mechanisms allows us to systematize these problems and develop effective strategies for their solution. Increasing competitiveness, stimulating innovations and optimal resource management also play an important role in this process.

Researches show that in recent years, the most important manifestation of Azerbaijan's integration into the world economy has been the globalization and transnationalization of national business, which indicates an increase in its international competitiveness, which contributes to the overall improvement of national competitiveness.

In light industry, there are many aspects of globalization and transnationalization of business. Among them are the following:

- acquisition of production and trade assets from abroad;
- access to international commodity and financial markets;
- participation in international corporate alliances and various agreements on cooperation;
- attraction of foreign specialists and work of local specialists abroad;
- international circulation of innovations;
- management of foreign assets, etc.

Chapter II of the dissertation entitled “**Macroeconomic Analysis and Assessment of the Light Industry Sector in Azerbaijan**” examines issues such as macroeconomic indicators of the light

industry sector and its sectoral position in the national economy; the modern level of development of the light industry sector and analysis of foreign economic relations, and the existing opportunities for the modernization of light industry enterprises.

Sustainability and environmental responsibility are key factors for every industry in the modern world. The Azerbaijani light industry sector should implement sustainable practices to minimize its impact on the environment. This includes the introduction of energy-saving production processes, reducing the creation of technologies, and promoting the use of environmentally friendly materials. By prioritizing sustainability, the industry can attract environmentally conscious consumers and increase its reputation both locally and globally.

The development of the light industry sector in Azerbaijan has great potential for diversifying the economy and reducing dependence on the oil sector. By leveraging the agricultural sector, providing state support and tax incentives, applying import restrictions, developing infrastructure, promoting innovation, investing in skills development, conducting market research, and implementing sustainable practices, light industry can develop and make a significant contribution to economic growth. If the strategy and joint efforts of all stakeholders are implemented correctly, Azerbaijan can establish itself as a competitive player in the global light industry market.

Currently, Azerbaijan's light industry faces the problem of high dependence on imports, which meets more than 80% of the domestic demand for this industry's goods. At the same time, the country has significant potential for the development of light industry, which has not yet been fully utilized. We consider it appropriate to consider the challenges and opportunities for the development of the textile industry in Azerbaijan, as well as to develop proposals for solutions to eliminate existing shortcomings.

Azerbaijan was known in the past for large textile enterprises such as the Sheki Silk Factory. At the peak of its activity, this factory employed up to 4 thousand people. However, the enterprise is not operating at full capacity today. Instead, the market is dominated by light industrial goods imported from Turkey, Iran, China, and other European countries.

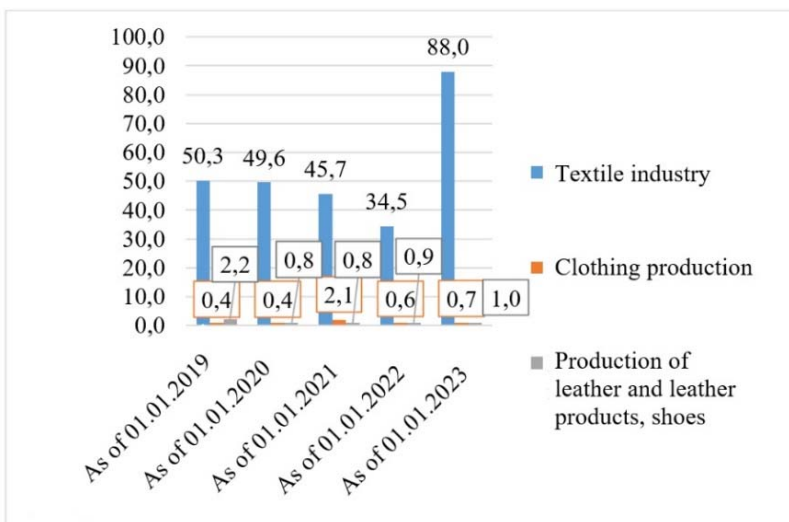


Chart 1. Stocks of finished products in warehouses of light industry enterprises, (million manats).

Source: The graph was compiled based on data from the State Statistics Committee of Azerbaijan.

From Chart 1 it can be seen that by the end of 2023, light industry enterprises had accumulated a sufficient amount of products, namely 88 million manats. However, by the end of 2022, this figure was only 34.5 million manats. This, in our opinion, indicates that the demand for the products offered by national light industry enterprises has decreased relatively. It seems that this was mainly influenced by the increase in production costs and the decline in the prices of imported knitted and textile goods on the market (especially for goods produced in Turkey, since the sharp decline of the Turkish lira against the US dollar also provoked a significant decrease in the prices of light industry goods imported from this country).

Table 1 below shows that during the period 2019-2023, an overall increase was observed in the main product types of clothing production. Thus, the production of hosiery, industrial and professional sets, outerwear and underwear increased by 1.6, 3.6, 2.0, and 1.3 times, respectively, during the indicated period.

Table 1.

Key performance indicators of enterprises engaged in the production of clothing

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|-------------|-------------|-------------|-------------|-------------|
| Knitted hosiery, thousand pairs | 2367.8 | 3248.9 | 2993.0 | 3078.7 | 3752.8 |
| Production and professional sets, thousand pieces | 634.7 | 653.6 | 1880.2 | 1222.0 | 2305.1 |
| Outerwear, thousand pieces | 469.9 | 521.5 | 765.4 | 863.6 | 946.9 |
| Underwear, thousand pieces | 597.4 | 556.3 | 529.8 | 560.8 | 796.8 |

Source: https://www.stat.gov.az/menu/6/statistical_yearbooks/source/industry_2024.zip

One of the most important problems in the production of light industry products in Azerbaijan can be considered a large investment requirement: so, more than 70% of production capacities are outdated. As our research shows, national manufacturers are losing their competitiveness in the market every year: today their share does not exceed 17%, although in some industries, for example, in the shoe industry, it still exceeds 70%. At the same time, the market for light industry products is one of the fastest growing in the world, and the annual growth rate is at least 12%. This annual growth is mainly due to targeted state support for light industry manufacturers in Turkey, China, Pakistan and other countries for many years. However, the main conditions for the growth and development of production in Azerbaijan are among the best: these are the relative cheapness of energy resources and labor, and production traditions.

In general, all entrepreneurs working in the light industry of the republic consider it necessary to provide state support to Azerbaijani manufacturers. Although the necessary investment and business environment has been created in the country in recent years, to this day light industry is still not sufficiently supported by the state as a promising sector.

Over the past ten years, the situation in light industry has developed in principle unfavorably in terms of the business environment, as a result of which some local enterprises had to cease their activities. However, in some enterprises, they are provided with raw materials

and materials, and shoes and clothes are produced, respectively. These products are sent abroad. Enterprises as owners of raw materials and finished products. As a result, over the past three years, light industry enterprises have achieved a certain increase in production.

It should be noted that this production method is a forced concession of local enterprises, which is an important factor for maintaining the liquidity of enterprises.

When assessing the level of material and technical base of industrial enterprises, it can be noted that in 2022, the funds allocated for depreciation of fixed assets in the overall structure of production costs by enterprises of the textile and knitwear industries amounted to 32.9% and 3.0%, respectively. As can be seen from the industry indicators for the industry as a whole, this indicator is significantly higher in the textile industry - about 2.5 times, which indicates a significant obsolescence of the equipment used in the industry in question.⁶

With the start of economic reforms, the government failed to fully support light industry, as a result of which more than 60% of shoe and clothing enterprises in Azerbaijan were forced to work under a joint scheme to maintain production, and workplaces pay high salaries to highly qualified workers.

Analyzing the situation, we can say that there is a growth problem. The tax on tolling operations makes us think about the timeliness of this initiative. Firstly, foreign manufacturers, those who place orders in our market, may refuse to cooperate with local enterprises, and secondly, national manufacturers may lose their sales market. These results are considered undesirable in the framework of preparations for Azerbaijan's accession to the WTO. Although one of the main goals of Azerbaijani manufacturers is to attract foreign investors, national manufacturers are still deprived of profitable orders, and foreign business is not interested in the production of light industry products. At the same time, an important factor that makes it possible for enterprises to compete is that locally produced textile and knitwear products are sold at the lowest price in the domestic market.

⁶ Azerbaijan Industry, Statistical Bulletin, 2023, pp. 44-45.

Thanks to joint cooperation operations, companies have gained access to new production technologies. By adopting new technologies from foreign partners and cooperating with their “treatment goods” suppliers, Azerbaijani manufacturers improve their products in terms of quality characteristics, and as a result, they practically do not differ from foreign products.

Researches have shown that one of the effective ways to change the economic structure, and in particular the light industry sector, is clustering. The development of institutional aspects related to the formation of an innovative environment in economic organizations is of great importance in itself. Industrial regulation, being a multifaceted and large-scale process, is associated by most experts with inter-sectoral changes, but in our opinion this remains a limited description of such a multifaceted and large-scale process as the modernization of light industry structures. The author’s approach to the content of this process is presented in Table 2.

Table 2.

Classification of the main types of innovation in light industry

| Process characteristics | Classification of modernization |
|-------------------------|---|
| Complex | It follows from the systemic nature of modernization, in which the structural transformation that occurs in one link of a single chain will necessarily affect structural changes in its other links. |
| Continuous | It is determined by the mobility and dynamism of the industrial complex environment |
| Purpose-oriented | It is conditioned by the main directives and the purpose of modernization measures. Modernization of the organizational structure of industry involves determining the most optimal ratio and relationship between small, medium and large economic entities, that is, it involves determining the most efficient organizational-institutional proportions. |

Source: table compiled by the author.

The implementation of structural modernization consists of several main stages:

- At the first stage, the goals and tasks of structural measures are determined;
- At the second stage, the competitiveness of industrial sectors is assessed and the technological level of industrial production is assessed;
- At the third stage, promising strategies are developed and restructuring of industrial enterprises is carried out;
- At the fourth stage, the results of modernization measures are summarized and evaluated.

However, only a limited definition of this broad and multifaceted process increases the complexity of public policy. Structural-innovation policy objectively covers types of activity and inter-sectoral relations, relations between producers and consumers, as well as interactions with various institutions. The main tasks in this direction are as follows:

- Modernization of the technical and technological base of light industry economic entities and ensuring an increase in production volumes that meet international quality standards;
- Organization of integration of existing sectors with leading manufacturers in the industrial market;
- Establishment of effective cooperation between enterprises of Azerbaijan Light Industry;
- Meeting the state demand for light industry goods through the fulfillment of state orders and participation in republican tenders;
- Stimulating the innovative activity of light industry economic entities;
- Preservation of existing jobs and creation of new jobs;
- Improving the financial situation of economic entities and increasing revenues to the budget, as well as extra-budgetary funds.

We believe that the implementation of these goals and objectives requires the organization of a complex of interrelated measures covering production, technical, social, financial, economic and other areas.

The effectiveness of the ongoing program measures aimed at the development of the Azerbaijani light industry is mainly of a social nature and is expressed in the reduction of social tension (including the reduction of social responsibility for the payment of benefits to the unemployed) through measures aimed at the development of enterprises in this industry through preferential lending.

Most light industry enterprises are of strategic importance in the regions, therefore, the preservation of jobs and the creation of new ones, in which women work mainly in the enterprises of this industry, is of particular importance. These measures can help maintain the number of employees working in the industry.

Ecologically clean conditions and an ecological environment should be created for employees of enterprises implementing innovations and energy-saving technologies.

In order to intensify innovations in light industry, in our opinion, the implementation of the following measures can be considered important:

- Improving the regulatory and legal framework developed by the state in order to increase the innovative activity of enterprises;
- Providing economic support to enterprises engaged in innovation activities;
- Strengthening assistance to innovation initiatives in the regions;
- Expanding international cooperation in the field of innovation.

At the same time, it is necessary to have scientific research institutions to improve innovation activity. The current situation in light industry is reflected in the growth of the light industry sector of the economy.

There are some problems that negatively affect economic growth in the industry and require urgent solutions. The main problems include the following:

1. The technological level of light industry lags behind the standards of developed countries;
2. High production costs, especially high energy and labor intensity, increase the cost of production;
3. The widespread distribution of low-quality and cheap mass consumer goods on the market leads to a shortage of highly

fashionable and competitive products;

4. There is strong competition in international markets in the field of textile products;

5. The high share of imports deepens external dependence in raw material policy, which creates risks for local manufacturers;

6. Innovation and investment activity in the industry is at a low level;

7. The competitiveness of local products is weak, the application of "know-how" technologies in the knitwear and textile sectors is almost not observed;

8. There is a problem of lack of professional personnel: technical workers, managers and other qualified labor resources are not sufficiently provided in the field.

It should be noted that in modern conditions, Azerbaijan has a rich raw material base for the production of light industry goods, and at the same time, it can be used more efficiently.

In order to renew and modernize light industry, it is necessary to increase the investment attractiveness of production. In this regard, the formation of an appropriate regulatory and legal environment and the improvement of legal mechanisms play a key role. It should be noted that the rapid turnover of financial resources in this sector (2-3 times annual turnover) makes light industry a profitable area for investment. In order to support the development of the industry, it is advisable to implement the following measures:

- reducing customs duties for high-performance technological equipment used in production, but not produced in the country;
- optimizing customs tariffs applied to raw materials and materials used in local production;
- including initiatives aimed at the introduction of new technologies in state programs;
- strengthening legal mechanisms for combating illegal imports and illegal production;
- intensification of activities aimed at increasing the supply of raw materials and technological independence.

In turn, the development of this industry undoubtedly requires an increase in the quality of products. In our opinion, the quality of

products largely depends on the dimensional stability of the packaging of materials, a number of its parts, in particular the shelf, as the most important unit of the product. The dimensional stability of the shelf package is achieved in various ways, primarily through the appropriate selection of design, materials and processing. With the optimal use of each of these factors, it is possible to achieve not only an increase in dimensional stability, but also a reduction in material and labor costs for production, which is important in conditions of limited resources.

The strategy of diversification of the Azerbaijani economy and reduction of oil and gas dependence is aimed at the development of light industry, especially the textile sector. Sustainable development of this sector is possible with a comprehensive approach, state support, the application of innovative technologies and strengthening of human capital. The role of agriculture in the provision of raw materials is great, and in order to strengthen the agro-industrial synergy, it is important to bring the quality in line with international standards, along with the volume of production.

In order to increase the competitiveness of light industry, financial instruments such as tax breaks, preferential loans, promotion of local brands, provision of venture capital and grants should be applied, the domestic market should be protected from unfair competition, and the quality and certification of products should be ensured. The creation of special economic zones and developed infrastructure, facilitating access to financial resources, promoting innovations and strengthening vocational education will support the development of the sector.

Supporting small businesses, developing research and international partnerships, and applying advanced technologies are the main directions of industrial modernization. For the sustainable development of Azerbaijani light industry, a unified modernizing management model combining state policy and enterprise activity should be formed, and global economic trends should be taken into account.

At the same time, eliminating obstacles such as rent seeking, state dependence, unequal competition, and the shadow economy, which are a legacy of the post-Soviet era, and developing transparent and

efficient market institutions are necessary to increase the competitiveness of the sector.

In Chapter III of the dissertation entitled “**Economic Regulation Mechanisms of Light Industry and Formation of a Management Model**”, the development trends in the light industry sector; Economic regulation of industrial products: price formation, market mechanisms and export policy; Modeling of organizational processes in light industry enterprises of Azerbaijan and the use of optimality models of business processes in light industry enterprises were studied.

Light industry - is an industrial sector engaged in the *production of textiles, clothing, footwear, leather goods and other goods intended for general consumption*. Researches show that currently a number of main trends are being formed in the global light industry sector that determine its future development trajectory.

The first trend is the principle of *ecological sustainability*. In recent years, the demand for products that do not harm the environment has been increasing significantly among consumers. This trend encourages industrial enterprises to apply more “*green*” *technologies, organic fabrics and biodegradable materials*. At the same time, approaches such as the transition to the use of renewable energy sources, reducing energy consumption and waste in the production process are also gaining importance.

The second trend is related to the *automation of production processes*. As a result of the introduction of modern technologies, many enterprises use *robotic systems* in production, which both reduces labor costs and increases productivity. Automation also expands the possibilities of quality control of production, *creating conditions for minimizing the number of defects*.

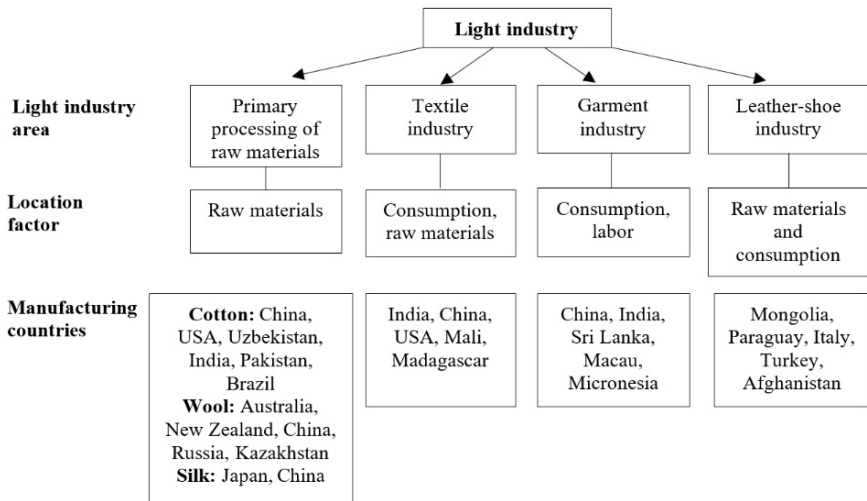
The third trend is observed towards *product personalization*. In modern times, consumers prefer to buy *products that are more tailored to individual needs and tastes*. For this purpose, a number of companies offer the *possibility of ordering in individual sizes*, as well as *personal design and printing inserts*, which increases the industry's personalized production orientation.

The fourth trend is the *expansion of e-commerce*. The development of online platforms creates new opportunities for the sale of light

industry products, giving manufacturers access to global markets. At the same time, *e-commerce makes it possible to collect customer feedback, promptly respond to market changes, and optimize sales processes.*

Finally, the fifth trend is the application of new materials and technologies. In the field of light industry, *innovative textile materials, including moisture and windproof membrane fabrics, high-strength threads, smart textiles, and other technological innovations, increase the functionality and competitiveness of products.* The application of such materials directly affects both product quality and consumer satisfaction.

The conducted analyses once again confirm that the light industry sector has significant production potential, capable of producing a wide range of consumer and industrial goods (scheme 2).



Scheme 2. Structure of the world light industry by producing countries

Source: compiled by the author.

In the USA, Europe and Japan, light industry is an important and highly developed sector of the economy. In the USA, brands such as Nike, Adidas, Levi's, Ralph Lauren, Calvin Klein have gained global

recognition with their high quality, innovative technologies and strong marketing strategies. In Europe, along with brands such as Zara, H&M, Gucci, Prada, small, unique and high-quality enterprises specializing in the production of textiles and household goods are also widespread. In Japan, the light industry sector is distinguished by high quality, technological innovations and unique design; brands such as Uniqlo, Onitsuka Tiger, Comme des Garçons stand out in particular.

Light industry is one of the largest sectors of the Chinese economy. The country's numerous clothing, footwear and textile manufacturers export their products to various markets around the world. However, some Chinese companies still face problems with product quality and working conditions.

Researches show that the location of light industry enterprises is determined by a number of key factors - the availability of resources, infrastructure, proximity to markets and the tax regime.

- Availability of resources: Accessibility to raw materials, water, electricity and labor play an important role in the location of enterprises. Proximity to resources reduces transportation costs and increases production efficiency.

- Infrastructure: Infrastructure factors such as roads, railways, ports and technological capabilities are of decisive importance in location decisions. Developed infrastructure speeds up product turnover and the production process.

- Availability of markets: Access to nearby markets directly affects the economic efficiency of the enterprise. Market research and analysis of the potential buyer base should form the basis of the location decision.

- Tax regime: The profitability and development opportunities of enterprises depend on the tax environment. Favorable tax conditions and incentives can stimulate the expansion of production and exports.

Table 3 shows that the production of the textile industry has increased over the past few years. While the share of this industry increased until 2021, it decreased in the following year.

Table 3.

**Production dynamics of light industry in Azerbaijan
(in million manats)**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|-------------|-------------|-------------|-------------|-------------|
| Textile industry | 182.3 | 248.3 | 304.3 | 240.9 | 369.5 |
| Clothing production | 104.0 | 103.6 | 111.7 | 112.8 | 130.0 |
| Manufacture of leather and leather products, footwear | 18.0 | 26.1 | 21.8 | 25.8 | 22.3 |

Source: <https://www.unido.org/sites/default/files/files/2021-11/IDR%202022%20-%20EBOOK.pdf>

Although there has been no significant growth in the clothing industry in recent years, the growth dynamics have remained stable, and in 2023, production volumes increased by 25% compared to 2019. This reflects the stable activity of clothing manufacturing enterprises within the country. In the field of leather, leather products and footwear, there are certain difficulties in the production position, and statistical indicators demonstrate the volatility of production volumes in this field in recent years. In general, the data in the table show that the textile and clothing industry in Azerbaijan has developed relatively stably, and new development opportunities have been formed in the field of leather and footwear production.

The development of textile and light industry in Azerbaijan is closely related to investment dynamics and state support measures. Data show that in 2019, total investments in the textile sector amounted to only 5.9 million manat, but in 2020 this indicator increased rapidly and reached 42.9 million manat, followed by a maximum level of 88.3 million manat (table 4).

Table 4.

**Investments in fixed capital in light industry (in actual prices),
million manats**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------------|-------------|-------------|-------------|-------------|
| Textile industry | 88.3 | 15.4 | 25.3 | 23.3 | 25.3 |
| Clothing production | 20.0 | 26.5 | 26.9 | 25.5 | 26.9 |
| Leather and leather goods, footwear production | 0.7 | 0.3 | 0.2 | - 0.5 | 0.2 |

Source: https://stat.gov.az/source/industry/az/014_5.xls

State policy in the field of cotton growing is focused on capital investment, technology renewal, quality improvement and expansion of export opportunities. The state promotes the development of cotton growing through leasing, subsidies and preferential credit mechanisms, support for associations and strengthening scientific support.

The main priorities in the development of light industry enterprises are:

- increasing working capital and expanding credit opportunities;
- forming a free competitive environment and eliminating monopolistic structures;
- stimulating the supply of raw materials (wool, cotton fiber, etc.);
- introduction of technical modernization and accelerated depreciation capabilities;
- subsidizing low-income enterprises and strengthening state support mechanisms;
- increasing the efficiency of scientific and research activities and stimulating innovations;
- developing small businesses and increasing investment attractiveness.

The main trends affecting the development of light industry in the global context are:

- environmental sustainability: use of environmentally friendly materials in production and reduction of waste;
- automation of production: increasing productivity and reducing production costs through robotic systems;
- personalized products: expanding the possibilities of individual orders and unique design;
- e-commerce: market expansion through online sales channels;
- new materials and technologies: application of technologies that increase functionality and reduce environmental impact.

Thus, the development of light industry is determined not only by economic factors, but also by social, technological and environmental factors. In addition to state support for the sustainable development of the sector, it is important to strengthen the innovation-oriented

activities of enterprises and their adaptation to market mechanisms.

Light industry plays an important role in the economies of many countries around the world. This sector is mainly characterized by the production of consumer goods such as clothing, footwear, textiles and other household items. The experience of different countries demonstrates both common features and differences in the development model of light industry.

In the United States, light industry is one of the most developed sectors of the economy. Global brands such as Nike, Levi's, Ralph Lauren and Calvin Klein have a high reputation in the world due to their high quality, innovative technologies and strong marketing strategies.

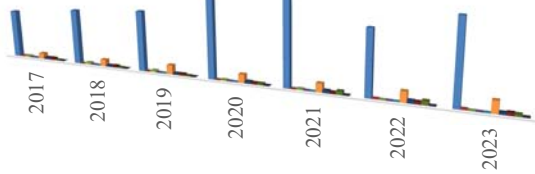
In European countries, the light industry is distinguished by the activities of both large brands (Zara, H&M, Gucci, Prada) and small, high-quality enterprises. The sector is distinguished by its competitive market environment and openness to innovation.

In Japanese light industry, brands such as Uniqlo, Onitsuka Tiger and Comme des Garçons are known for their innovative technologies, unique designs and high quality factors.

China's light industry is a leader in terms of production scale and exports its products to global markets. However, some companies still face problems with product quality and working conditions.

It should be noted that the concentration of production in the global light industry and the dominance of large enterprises are increasing. This strengthens the processes of industrial integration and consolidation in the textile, footwear and leather industries, as a result of which labor productivity increases, unit costs decrease, and the use of high-performance equipment expands.

Azerbaijan's light industry production also demonstrates certain development dynamics. Thus, during 2017-2021, the production of cotton fabrics increased by 49%, reaching 33,918.9 thousand sq.m in 2021. The production of knitted socks increased by 64.6% over the same period, reaching 3,248.9 thousand pairs in 2021. Although the growth rates in the field of clothing production remained relatively stable, overall sectoral stability was maintained (chart 2.)



| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------|---------|---------|---------|---------|---------|---------|
| ■ Cotton fabrics, thousand sq. Meters | 16830,2 | 19314,4 | 21098,0 | 29965,5 | 33918,9 | 22531,5 | 28652,3 |
| ■ Silk fabrics, thousand sq. Meters | 274,5 | 40,7 | 103,2 | 0,0 | 69,8 | 181,8 | 322,8 |
| ■ Cotton bed linen, thousand pieces | 371,6 | 580,7 | 610,5 | 268,1 | 350,9 | 45,7 | 73,3 |
| ■ Cotton yarn, thousand tons | 17,3 | 24,7 | 34,8 | 11,7 | 22,5 | 14,1 | 13,0 |
| ■ Carpets, thousand sq. Meters | 0,4 | 2,4 | 3,0 | 1,3 | 13,0 | 5,6 | 3,5 |
| ■ Hoodies, thousand pairs | 1991,0 | 2367,8 | 3248,9 | 2993,0 | 3078,7 | 3752,8 | 4222,5 |
| ■ Outerwear, thousand pieces | 629,3 | 469,9 | 521,5 | 765,4 | 863,6 | 946,9 | 683,2 |
| ■ Underwear, thousand pieces | 653,1 | 597,4 | 556,3 | 529,8 | 560,8 | 796,8 | 940,6 |
| ■ Shoes, thousand pairs | 150,0 | 186,6 | 190,3 | 544,2 | 1214,0 | 1405,0 | 749,7 |
| ■ Processed leather, thousand sq. Meters | 32,1 | 53,9 | 53,5 | 65,2 | 60,2 | 55,4 | 64,1 |

- Cotton fabrics, thousand sq. Meters
- Silk fabrics, thousand sq. Meters
- Cotton bed linen, thousand pieces
- Cotton yarn, thousand tons
- Carpets, thousand sq. Meters
- Hoodies, thousand pairs
- Outerwear, thousand pieces
- Underwear, thousand pieces
- Shoes, thousand pairs
- Processed leather, thousand sq. Meters

Chart 2. Dynamics of light industry products in Azerbaijan (in actual prices)

Source: <https://www.unido.org/sites/default/files/files/2021-11/ADR%202022%20%20EBOOK.pdf>

In general, the study of foreign experience in light industry is of great importance for the preparation of national development strategies in this area and strengthening the competitiveness of enterprises.

At the end of the 20th century, large industrial enterprises that

played an important role in the development of light industry operated in Azerbaijan. These included cotton ginning plants, silk and textile factories in Sheki and Khankendi, sewing, leather and shoe enterprises in Baku, rope and fabric factories in Mingachevir, as well as knitwear and clothing enterprises in Sumgayit, Ganja, Nakhchivan and other cities. However, the privatization process did not fully yield the expected positive results; the new owners often used the assets for purposes outside the main field of activity.

The main tasks facing light industry at the modern stage are the modernization of technological equipment, improvement of production and quality control systems, the introduction of environmentally friendly technologies and adaptation of personnel to modern technologies. Market requirements require environmental responsibility, waste recycling and the use of sustainable materials. At the same time, corporate social responsibility is also an important factor that increases the prestige and competitiveness of enterprises.

The Azerbaijani government should continue to support the development of light industry, stimulate investment attraction and increase export potential. In turn, industrial enterprises should strengthen their activities in the field of improving product quality, adapting to market requirements and assuming social responsibility. Only thanks to state support and active participation of enterprises can sustainable and competitive development be ensured.

The cotton sector is of great strategic importance, since the main raw material of the textile industry is cotton. For this purpose, the Law of the Republic of Azerbaijan “On Cotton Growing”, adopted on May 11, 2010, determined the directions of development of cotton growing, application of techniques and technologies, improvement of product quality, increase of exports and improvement of scientific support of the sector. The Law includes the following main tasks:

- adoption of normative-legal acts and state programs on cotton growing;
- approval of technical norms and standards on production, processing and circulation of cotton and its products;
- study of the cotton market and determination of development directions;

- control over the application of agrotechnical and technological norms;
- control over the production and circulation of seed cotton;
- financing of specialist training and scientific support in the sector.

In Chapter IV of the dissertation entitled “**Effective Management of Light Industry in the Republic of Azerbaijan**”, issues such as: Determination of national priorities and strategic goals in light industry policy; Improvement of the management system and institutional approaches; and Improvement of economic mechanisms and means of stimulation were studied.

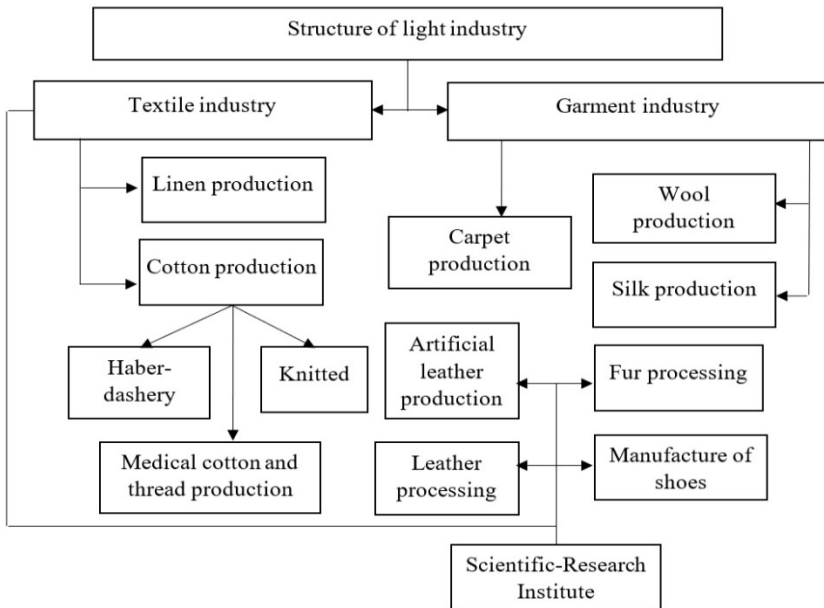
Light industry plays an important role in the economy of many countries, seriously affecting the labor market, capital turnover and relations with other industries. This sector closely interacts with such sectors as mechanical engineering, agriculture, chemical industry, finance, education and transport. Light industry is characterized by requiring low capital investment and in some cases having average profitability. In many countries (for example, in China), this sector is organized in the format of industrial clusters, demonstrating high efficiency; here not only manufacturers, but also raw materials, transport, banking and other service sectors operate together, which ensures the prompt resolution of problems.

The document “2030: National Priorities for Socio-Economic Development” of Azerbaijan lists the development of human capital and the application of innovations as one of the main development directions of light industry. However, serious problems remain in the field of staffing of light industry in the country. The failure of young people educated abroad to return to the country, the decline in interest in engineering specialties, low salaries and the weakening of the reputation of the garment industry complicate the situation in this area.

Over the past thirty years, light industry has faced a decline against the background of the obsolescence of basic means of production, the increase in imported goods and the dominance of foreign brands. At the modern stage, the development of this sector further increases the demand for highly qualified personnel in connection with the digitalization and automation of production, the use of innovative

materials and the application of advanced technologies. However, the issues of transparent rules for enterprises, wage systems and staff motivation have not yet been fully resolved. New approaches and systematic reforms that ensure the integration of educational institutions and industrial enterprises are necessary for the revival of light industry.

The composition of light industry clusters (scheme 3) is quite large, and there is an urgent need to train workers, technologists, engineers, managers, marketers, designers and economists with a broad worldview, familiar with advanced world practices. Today, there is a need for personnel who have access to modern information technologies for production management, effective promotion of products, have creative thinking, and want to bring their companies and brands to leading positions in the industry.



Scheme 4. Structure of potential industrial clusters in light industry

Source: The scheme was compiled by the author.

The main problems and difficulties in training personnel for light industry are associated with the specifics of the current situation. This is expressed, first of all, in the following:

- ensuring the level of training of specialists corresponding to the current level of tasks solved by the enterprise in the industry;
- restoring personnel training and education of employees in the specialties that are in demand by order of enterprises;
- agree on training plans and a list of competencies for graduates with leading enterprises;
- provide students with the opportunity to study modern technologies and equipment at industrial enterprises, since it is impossible to provide educational institutions with appropriate new equipment at the first stage;
- provide the required number of budget places in educational institutions in the main specialties of the industry;
- conduct internships in industrial enterprises that have the opportunity to work and combine education with experience;
- provide competitive wages in industrial enterprises;
- provide the opportunity to widely use electronic educational technologies and advanced training in the direction of individual movement;
- ensure the use and implementation of startups as a final specialty;
- ensure the creation and support of young talented designers and fashion designers;
- expand the scale of a number of measures, such as ensuring the promotion of our own brands and brands of clothing, footwear, textiles, etc.

In the development of Azerbaijani light industry, along with strategic directions, narrower segments aimed at preserving the existing potential and material base - “*growth points*” - are of particular importance. These points mainly carry tactical goals and serve to ensure the sustainability of the industry. The following areas are considered priorities in this direction:

1. Support with state orders: The formation of state orders for

local manufacturers within the framework of an open competition serves to ensure their minimum profitability. These orders are especially important in terms of national security and ensuring the domestic market, since it is important that the minimum demand for finished fabrics, clothing and footwear is met at the expense of local production.

2. Leather production: Leather is the only type of raw material for light industry, the demand for which is fully met by local production. In addition, the leather processing process creates conditions for the production of value-added products (for example, fertilizers, proteins).

3. Children's clothing and footwear: Local production of children's goods is considered competitive in terms of quality and price. Although the increase in regulatory quality requirements increases the advantage of national products in this area, competition with products from China, Pakistan and Turkey is strong.

4. Special clothing and footwear: Since design and complex finishing are of little importance in this segment, local manufacturers gain a competitive advantage by tailoring orders to the specific requirements of national customers.

5. Technical textiles and nonwovens: Currently, only 17% of the demand for technical textiles is met by domestic production, while the share of imports is close to 70%. However, for some types of technical textiles (for example, car seat belts, tourist and lifting belts), local production is quite competitive.

Strengthening support in these areas serves to protect the existing capabilities of local industrial enterprises, as well as to increase their long-term development potential.

The development of the institutional environment of Azerbaijani light industry includes the following main components:

- Integration with agriculture. Strengthening mutual relations between light industry and agriculture in order to improve the supply of leather, cotton and wool, and increase the quality of raw materials.
- Cooperation with the chemical industry. Stimulating relations with the chemical industry to provide enterprises with chemical fibers with the required properties.
- Support for technical modernization. Allocating state loans with

priority to reconstruction projects, increasing the level of technical equipment.

- Tax breaks. Application of tax holidays for light industry enterprises for up to 5 years if the conditions for technical modernization, cost optimization and competitive product production are met.

- Measures against counterfeit products. Mandatory labeling, inspections and destruction of counterfeit and smuggled products.

- Innovation and business relations: Supporting innovative initiatives on end products and technologies, strengthening interaction that serves to reduce the costs of enterprises.

- Cooperation with related sectors. Expanding interaction between light industry and other industries.

- Strengthening the statistical base. Forming a detailed database on costs and production indicators.

- State and business dialogue. Assessing the impact of state support measures, making regular amendments to program documents and intensifying dialogue.

These measures play an important role in assessing the weaknesses and risks of light industry enterprises and formulating development strategies (table 5).

The SWOT analysis identifies internal and external factors that play an important role in the activities of light industry enterprises, and also reveals the main risks and opportunities encountered in the development of the sector. The analysis shows that the main risks affecting the activities of light industry enterprises include increased global competition, instability of demand, dependence on foreign raw material suppliers, tightening environmental legislation and potential trade wars. An effective development strategy against such challenges should primarily include measures such as reducing import dependence, diversifying sales markets and responding quickly to legislative changes. In addition, investing in environmentally friendly technologies is becoming an inevitable necessity in modern times.

Table 5.**SWOT Analysis: Assessment of the internal and external environment of light industry enterprises**

| Strengths | Weaknesses |
|--|---|
| <ul style="list-style-type: none"> - High-quality and market-relevant product range - Sales at average market prices - Developed and stable technological system - Strong production potential - Market experience and advertising skills | <ul style="list-style-type: none"> - Outdated equipment and technology - Low innovation activity - Weak creditworthiness - Uncertainty of strategic development direction \ - Insufficient marketing activities - Dependence on foreign raw materials |
| Opportunities | Threats |
| <ul style="list-style-type: none"> - Opportunities for cooperation with the local raw material base - High investment attractiveness of the region - Diversification of sales markets - State incentives for the transition to environmentally friendly technologies | <ul style="list-style-type: none"> - Intensifying global competition - Foreign trade restrictions and trade wars - Demand volatility and seasonality - Tightening environmental requirements - Rising resource prices and inflation risks |

Source: table compiled by the author.

The analysis also opens up favorable prospects for light industry. State support and reform measures accelerate the transformation of the sector, creating conditions for the efficient use of existing resources to increase competitiveness. The experience of developed countries proves the advantages of flexible business models that can quickly respond to changes in consumer demand. The region's high investment attractiveness, access to new market segments, and cooperation with local raw material producers form additional growth potential for the sustainable development of the sector.

For the sustainable development of light industry enterprises, minimizing risks and maximizing the use of existing opportunities using the results of the SWOT analysis is of strategic importance. Effective activity is directly related to the introduction of innovative technologies and increasing the qualifications of personnel. For

competitive production, especially in textile industry enterprises, the financial condition of the enterprise, existing opportunities and risks should be systematically assessed, factors should be listed, and the results should be analyzed on a statistical basis. This approach is based on the formation of a system of indicators that assess the efficiency, life cycle, innovation activity, and investment attractiveness of the enterprise.

Such indicators should objectively reflect the specific characteristics of the activity, taking into account the complex factors of the enterprise, be informative and significant, easily accessible, and not repetitive. They should impartially assess business processes, characterize new aspects of the activity, and create opportunities for clear explanation. All of these serve as the main tools for forecasting and analyzing the development of enterprises.

There are various evaluation coefficients of the competitiveness of textile industry enterprises. For example, A.G. Litvinova offers six groups of coefficients: assessment of liquidity and solvency, indicators of property status assessment, assessment of financial stability, assessment of business activity, assessment of profitability, assessment of the situation in the securities market.⁷

According to N.V. Pereborova, the following indicators should be used to assess and forecast competitiveness: general indicators, indicators of solvency and financial stability, indicators of business activity, indicators of profitability, indicators of the intensification of production processes, and indicators of the organization's investment activity⁸.

A.V. Shelgunov divides the indicators for rating assessment into 4 blocks: indicators of assessment of profitability of economic activity, indicators of management efficiency, indicators of assessment of business activity, indicators of assessment of liquidity and market

⁷ Litvinova, A.G. Analysis of the situation in the Russian light industry // Vestnik RUDN. Series: Economics. – 2014. – No. 2.

⁸ Pereborova, N.V. Improving the quality of textile and light industry products through the introduction of information technologies in scientific research / Pereborova N.V. // Bulletin of the St. Petersburg State University of Technology and Design. Series 1. Natural and technical sciences. 2015. No. 4. P. 60-66.

stability.⁹

N.Y. Nataova and M.Sh. Termiyuk believe that for the construction of a complex analysis model, it is sufficient to consider 5 groups of indicators: liquidity ratio, indicators of assessment of property status, financial independence ratio, business activity ratios, profitability indicators.¹⁰

The level of accuracy of the analysis results characterizes the importance of a system of separate indicators for an objective assessment of the state of competitiveness. Therefore, the level of accuracy of individual coefficients in different periods for the same enterprise may also be different. Analysis of the financial condition, expressed by rating assessment, is very important for determining the competitive advantages of the company and the prospects for successful partnership in the business environment, accurately reflects its potential and financial stability. Rating is a method of comparative assessment of the activities of several enterprises. It is based on the generalized characteristics of indicators reflecting the financial condition of enterprises in a certain system.

The establishment of a rating of similar enterprises can be used when selecting business partners. This is very relevant for textile industry enterprises.

Diagnostics is carried out using a balanced system of indicators to assess the efficiency of the activities of textile enterprises. This process is carried out on the basis of comparing the actual quality characteristics of the enterprise with some ideal norm. This allows you to identify deviations, determine the trends of the changes that have occurred and the presence of crisis signs, eliminate their signs, scale, and deviations from the norm. To determine the deviation from the norm, it is necessary to compare the group or set of quality and

⁹ Shelgunov A.V. Industry production cooperation as a vector for further development of the market and support of domestic manufacturers // Power and energy equipment. Autonomous systems. P.83-89.

¹⁰ Nataova, N. Yu. Analysis of the world market of goods of the light industry: current state / N. Yu. Nataova, M. Sh. Temryuk // Science of the XXI century: problems, prospects, information support: Collection of scientific papers based on the materials of the XV regional scientific conference ", 2017. - P. 158-162.

quantity parameters with similar actual parameters.

It should be noted that since the main raw material base of light industry enterprises is enterprises engaged in agricultural production, there is a possibility of falling into a crisis situation in production and sales activities, depending on the sufficient level of risk in this area. Therefore, there is a need to manage risks for the production of competitive products. Therefore, light industry enterprises are trying to form a more efficient management system and a mechanism for its implementation by developing a marketing strategy. The measures to be implemented in this area include the following tasks:

- Identification of product segments and selection of production direction;
- Analysis of the characteristics of the enterprise's production and services;
- Study of target market and customer requirements and the market segments they form;
- Analysis of the conditions of domestic and foreign sales markets;
- Pre-identification and study of competitors and their activities in order to gain an advantage in the competitive environment;
- Preparation and analysis of demand and market forecasts;
- Forecasting of production costs and other costs, such as storage, packaging and sales costs;
- Assessment of the competitive environment and market trends;
- Planning and management of pricing policy and pricing.

The above makes the main goal in the management of light industry enterprises to reconcile the current environment of marketing management with the prospective management environment. Specifically, marketing, acting as a management concept for enterprises, performs important management functions - setting goals; selecting target markets, controlling the activities of enterprises, etc. Light industry is one of the leading sectors of the global industrial complex. Light industry accounts for 6% of the world's gross domestic product. Over the past decade, the trade turnover of light industry has more than doubled. It should be noted that at the same time, the

consumption of light industry products in the European Union increased by 90.5%, and in Japan by almost 3 times. According to Euromonitor, in 2019 the global light industry market amounted to \$ 3 trillion.¹¹ In general, light industry is characterized by constant economic growth, which is directly related to population growth and its increasing purchasing power¹². Currently, the leading positions in the global light industry belong to countries where this sector is considered a key factor in economic development. Such countries include China, some South American countries, and a number of states in Southeast and Central Asia. For many years, they have maintained their strong positions in the world market. However, the geographical distribution of light industry production capacities is undergoing significant changes.

In recent decades, new, rapidly developing manufacturing centers have emerged on the world stage in Asia, Latin America, and Eastern Europe. Interestingly, the fastest growth in production is observed in countries with relatively low per capita income. This clearly demonstrates the great potential of light industry as a tool for economic development and job creation. At the same time, developed countries rely more on imports of finished textile products, preferring to export raw materials and semi-finished products. Middle-income countries, on the other hand, satisfy part of their domestic demand and export surplus products to neighboring regions¹³.

State support plays an important role in the rapid development of light industry in developing countries. This leads to a global redistribution of production capacities and their orientation to countries with lower labor costs. Developing countries provide a significant part of the world's production of light industry products, mainly in technologically less complex segments.

An analysis of investment flows to light industry in 2018 shows that

¹¹ <https://www.euromonitor.com>

¹² Aliyev T.N. Clusters: international experience and innovative development. Monograph, Baku, Science and Knowledge, 2019-536 p.

¹³ Kudryavtseva, T.Yu., Skhvediani, A.E. Econometric analysis of regional industrial specialization (on the example of the manufacturing industry of Russia) // Economic analysis: theory and practice, 2020, issue 19, no. 9, pp. 1765–179.

Indonesia became the world leader in terms of investment volume, significantly lagging behind other countries in terms of total product production. Investments had a significant impact on production growth in 2019 (about \$20 billion)¹⁴. However, it should be noted that in a number of countries, investments did not lead to the expected production growth, but on the contrary, a decrease in total output was observed in subsequent years. This emphasizes the importance of not only attracting investments, but also their efficient use and creating a favorable investment climate.

Let's look at the situation in Azerbaijan. Given the specifics of the country's political and economic development, the main factor in the growth of the national economy is the development of the manufacturing sector, including light industry, which provides the production of consumer goods for the population. Azerbaijani light industry specializes in the production of finished products for the population (textiles, clothing, footwear, leather, fur and wool products). However, the share of light industry in the total industrial production of Azerbaijan is only 0.5%¹⁵. The reasons for this include the disruption of economic relations after the reforms of the 1990s, the collapse of production and the disruption of existing supply chains. Dependence on foreign suppliers of raw materials leads to an increase in the price of local products. As a result of the opening of borders, a massive influx of cheap imported goods from China, India and other countries has been observed. The weak competitiveness of products of local light industry enterprises necessitates the development of production methods that reduce costs and better meet consumer requirements.

¹⁴ Paramonova T.N., Ramazanov I.A., Uryaseva T.I. Market of light and textile industry during the period of import substitution // Trade and Economic Journal. - 2016. - No. 3. - pp. 53-66.

¹⁵ <https://www.unido.org/sites/default/files/files/2021-11/IDR%202022%20-%20EBOOK.pdf>

CONCLUSIONS

The dissertation work summarizes the results of research conducted on the regulation of long-term development of light industry enterprises, and the following is noted:

- Globalization, increased competition and transnationalization of business in the light industry require a serious revision of traditional management concepts and adaptation of organizational structures to new realities. Analysis of modern market mechanisms reveals the main problems that determine the successful operation and sustainable development of industrial enterprises and puts forward the search for innovative solutions.

- Analysis of globalization trends and the strengthening of competition in the conditions of transnationalization reveals specific problems in the management of light industry enterprises. The study of market mechanisms allows us to structure these problems and determine the need for a transition to management concepts. In particular, dynamic organizational-management clusters demonstrate a higher level of independence of participants compared to traditional models and help minimize the impact of regional management bodies on operational activities. The main method of formation of dynamic organizational-management clusters is the conclusion of short- or medium-term contracts by a large customer of goods (work, services) with independent companies, both with and without territorial ties to a specific raw material, production or sales base.

- In the long-term development of light industry, modernizing management processes and systems have a specific character. They develop under the influence of the national characteristics of the country and its socio-political development, which is why there is no specific, pre-optimal national modernization system, but rather, there are numerous approaches to the formation and functioning of such modernization systems, each with its own strengths and weaknesses. In addition, dynamic national modernization systems constantly adapt to the emergence of new crisis threats and, accordingly, new management needs and are formed in accordance with them;

- The concept of a national modernization system in light industry

is considered as a competent management tool used in the development of policy and planning. However, it should be borne in mind that theoretical models of a national modernization system cannot serve as a ready-made “scheme” for organizing a national modernization process. There are shortcomings in coordination measures related to the expression and implementation of modernization policy. This especially concerns the problems of interaction between the state and private sectors of the national modernization system;

- The shortage of qualified specialists in the management staff is one of the main problems of light industry. The need to transition from administrative-command methods to market mechanisms requires the development and application of effective strategies and methods for personnel supply and retraining of professional specialists. At the same time, for the optimal development of an enterprise in light industry in modern conditions, most managers must have initiative and the necessary knowledge of management. This problem, in our opinion, can be solved through the training of new personnel and the retraining of old personnel;

- Production process management is a time-consuming task. The main mechanisms in this work are planning, accounting and optimal control of the production process. An integrated management system based on the latest achievements of information technologies ensures effective interaction of employees and equipment, automates the main management processes. Thanks to this, work optimization and productivity increase are achieved. Automated solution of the tasks set allows you to competently implement marketing, planning, take into account costs, and conduct technical preparation for production;

- In modern conditions, the modernization of light industry undoubtedly also depends on the personnel policy pursued at the enterprises of the sector. In most of the enterprises of Azerbaijani light industry, old approaches to personnel management still prevail, and innovative technologies and methods that have long been applied in well-known foreign industrial enterprises of the industry are not applied;

- It should be noted that gaining an advantage in competition is

considered the main factor of success, and these advantages can be formed in the form of both movable (material) resources and intangible resources that are in the hands of the company and support the competitive struggle. The success of a firm in the market depends on its unique capabilities that allow it to gain an advantage over competitors, attract and retain a customer base, and create a strong brand loyalty. Among the methods used to protect competitive advantage are antitrust measures, patents, licenses, attracting know-how and its owners to the company, as well as free access to raw materials and other basic materials.

- We believe that it would be more expedient to attract the funds necessary for the implementation of the financing strategy of the light industry sector in the Republic of Azerbaijan through the application of a mixed investment system:

- Non-budgetary funds, funds of enterprises operating in the republic themselves, as well as encouraging domestic and foreign investors to invest in the sector, as well as investing commercial loans, strategic and portfolio investment funds;

- Financing projects from the budget and other sources aimed at developing the sector, developing new types and varieties of products, and creating national brands.

- Priority measures by the state aimed at creating conditions for the development of light industry may include the following:

- A number of measures are proposed for the rapid development of the Azerbaijani light industry: reducing import duties for modern technological equipment not produced in the country; optimizing the taxation of imports of raw materials and materials; integrating innovative projects into state programs;

- Combating smuggling of light industry goods and improving the system of distributing humanitarian aid; strengthening the supply of necessary raw materials to enterprises. These measures are aimed at creating favorable conditions for investments, increasing the competitiveness of the industry, stimulating its development and modernization.

- As a result of our research, it becomes clear that for the dynamic development of the Azerbaijani light industry, it is necessary to

significantly optimize duties on the import of raw materials and materials, and ensure the availability of necessary resources for manufacturers. A significant reduction in customs duties for high-tech equipment that is not available in the country is necessary to accelerate the modernization process and increase production efficiency. Active state support for such imports can be a key priority for accelerating the development of light industry, increasing competitiveness in the international market and creating new jobs.

- In addition, measures such as including the most important work aimed at introducing new technologies in light industry into existing and developing state-specific programs, preventing the illegal import of light industry goods to the territory of Azerbaijan and improving the mechanism for receiving and using humanitarian aid, and strengthening the implementation of measures to improve the supply of light industry with raw materials should also be among the priority measures taken by the state to create conditions for the development of light industry in Azerbaijan.

- Taking into account the aspects studied in the dissertation, our work proposes a practical solution model for the “production-transportation-warehouse” problem;

- The research showed that the development of the institutional environment in light industry in the republic, in our opinion, includes a number of key components. One of them is the stimulation of interaction between light industry and agriculture in terms of supplying leather, cotton and wool of appropriate quality for the local leather and footwear industry, as well as work to improve the quality of raw materials. Stimulation of interaction between light industry and the chemical industry in order to provide manufacturers with the necessary amount of chemical fibers with the required properties, as well as measures to provide state loans for light industry enterprises, with projects for technical reconstruction of enterprises as a priority, are also steps that will give impetus to the development of the institutional environment in light industry in our republic. If one of the conditions for regulating the development of light industry is met, there may be “tax holidays” for light industry enterprises for a period of five years. Thus, these components can include technical re-

equipment of the enterprise, ensuring the reduction of production costs to the level of advanced world practice or the establishment of production of products with characteristics that ensure their competitiveness at the international level, mandatory labeling of light industry products and verification of their presence, mandatory destruction of counterfeit or smuggled products after their exposure by customs and other state agencies.

- Priority tasks include optimizing the interaction of businesses and developers in the production of light industry products, reducing transaction costs, and stimulating cooperation both within the industry and with related industries, including mechanical engineering and the chemical industry. For this, it is necessary to collect a detailed statistical base covering the analysis of costs in various production segments, study world experience, and apply innovative technologies. The main points are the activation of dialogue between enterprises, scientific centers, and state bodies, regular assessment of the effectiveness of state support measures, and timely amendments to program documents. This can allow expanding the range of support measures, increasing the efficiency of investments in the development of light industry, and ensuring sustainable, long-term development of the industry by creating new jobs and strengthening the country's economy.

- A number of measures are considered necessary to improve the risk management system in the light industry sector in Azerbaijan:

- The development of infrastructure and the creation of regional risk management centers that will allow companies to receive up-to-date information about risks, as well as recommendations for their minimization, may be the first of these measures.

- Improving the legislative framework in the field of product safety, tightening standards and requirements, which will improve product quality and reduce health risks for consumers, can also contribute to improving the risk management system in the light industry sector. Ensuring transparency in the production and sale of products will also help reduce risks associated with non-compliance with standards and norms.

- Establishment of product quality control systems at all stages of production and sales, personnel training and advanced training

measures on risk management allow to prevent possible problems, minimize errors and lack of qualifications. Development of risk management standards in accordance with industry specifics, involvement of independent experts and application of innovative risk management methods along with new technologies ensure that enterprises respond to changing market and production challenges. At the same time, increasing public awareness of product safety and quality is of great importance.

- Thus, the implementation of the proposals put forward in the dissertation can contribute to the development of light industry, increasing the competitiveness of products and solving a number of socio-economic problems. According to the research results, the share of light industry in industrial production can be increased to 4%, budget revenues can be doubled, and product production can be increased by 12–15% per year, thereby strengthening the provision of the local market with high-quality and affordable goods. This will also create conditions for meeting the needs of state bodies and enterprises in clothing and footwear at the expense of local production.

The main content of the dissertation work is reflected in the **following scientific works**:

1. Mamedova Kh.F. Prospects for the Development of Textile Industry Products // Moscow: Economics and Entrepreneurship, 2016, No.12 (Part 2), pp. 1198–1200.

2. Məmmədova X.F. Ways to Improve the Competitiveness of Light Industry Enterprises in Our Country // Baku: Journal of “Economics and Management of Construction”, 2019, No.3, pp. 131–138.

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