

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**"FORMATION AND IMPROVEMENT OF ECONOMIC  
RELATIONS IN THE CONSTRUCTION FIELD OF  
AZERBAIJAN"**

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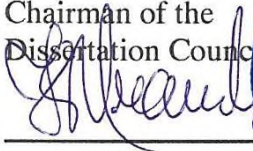
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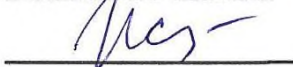
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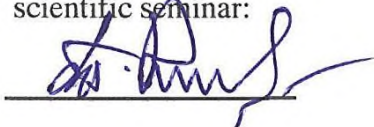
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## **GENERAL CHARACTERISTICS OF DISSERTATION**

**Relevance and degree of development of the topic.** The dynamic development of the Azerbaijani economy, due to the constant change in the conditions and opportunities of production towards new levels, makes it an objective necessity to further improve the relevant economic relations that allow for the rapid expansion of these conditions and opportunities.

In accordance with the laws of reproduction of social production, it has become an economic and political necessity to constantly create new, more progressive economic forms and relations, to replace outdated and economically hindering management and regulatory methods and tools with new ones. This law, which is of great importance for the entire national economy as a whole, is especially relevant for the construction sector, which has a unique economic and enhanced ripple effect in the economic system.

The construction sector is considered a condition for solving social problems by meeting the most important needs of the country's population, namely housing, and is also considered the main means of investing fixed capital in public production in the country through construction and installation activities, which is the main condition for its development. All this allows us to determine the special role of the construction sector in the country's economy.

The above-mentioned importance of the construction sector necessitates its dynamic development. The main condition for this development is to propose a system of economic relations that reflects an economic mechanism that strengthens the interests and motives of all market entities operating in the construction sector in accordance with their mutual influence and dependence, and provides for the formation of prices in accordance with the ability of consumers to pay by offering a higher quality construction product.

Relevance of the topicAnother factor that strengthens the argument is that economic analyses and studies on economic relations between investors, construction companies and customers of construction products in the construction sector are about problems inherent in the era of administrative-command economy. Therefore,

there is a great theoretical and practical need to study the nature and motives of the modern construction market and its participants' connections and relations, to study the relations arising as a result of the state's independent, active investment activity in the construction sector, and to determine new forms of contractual obligations and the system of income distribution.

Regulation of economic relations in the construction sector, preparation of development strategies in line with the requirements of a market economy, and strengthening public-private sector partnerships are also among the pressing issues.

The construction sector is an area that creates conditions for accelerating the development of the national economy as a whole. The main goal of the state and every entrepreneur in the construction sector is to generate income by properly meeting the needs of consumers.

Research shows that the formation and improvement of economic relations in the construction sector has not been sufficiently scientifically investigated. That is why the topic of the dissertation is aimed at studying this urgent problem.

The dissertation research examines the theoretical and practical problems of creating and improving new forms of economic relations in the construction sector in accordance with the principles of a market economy.

Economic problems in the construction sector of Azerbaijan have been studied both theoretically and practically in the works of our country's scientists in accordance with the requirements of a market economy. Among the scientists conducting research in this field is T.T.Eyniyev, A.M.Aliyev, K.A.Aliyev, A.J.Binnetov and other scientists can be cited. The mentioned problems were studied in various directions by other researchers: N. (Muzaffarli) Imanov, A.B.Aliyev, Sh.M.Muradov, T.N.Aliyev, A.Kh.Nuriyev, U.G.Aliyev, R.P.Sultanova, G.Z.Yuzbashiyeva, S.M.Mikayilova, S.M.Seyidova, A.N.Muradov and b. were also considered in their works. At the same time, the relevance of the problem has attracted the attention of scientists from other developed market economies. Among the foreign scientists, V.V. Buzirev, N.E. Virina, V.V.

Mishenko, D.V. Shirokov, O.B. Popov, U.B. Bryantseva, H.B. Nesterovich, B.Smirnov, I.I. Mazur, C.D. Shapiro, N.V. Chepacheko and others have studied a number of issues related to this problem in their works.

The works of Azerbaijani and foreign scientists have touched upon general issues of economic relations in the construction sector. The formation and improvement of new economic relations in the construction sector in accordance with market principles at the modern stage is studied in detail in this dissertation work for the first time.

**Object of the study:**The object of the study is the construction sector of Azerbaijan.

**Subject of research:** The subject of the study is the economic mechanism that encompasses companies operating in the construction sector, which plays a key role in the formation and improvement of economic relations in accordance with market principles, and reflects the economic forms and norms that have an encouraging effect on their economic activity, as well as the theoretical, methodological and practical solutions that ensure this effect.

**Aims and objectives of the study:**The purpose of the dissertation is to investigate the theoretical, methodological and practical foundations of the formation and improvement of economic relations in the construction sector of Azerbaijan, and to scientifically develop a set of measures aimed at further improving economic relations.

To achieve the stated goal, the following specific tasks have been set:

- determining the impact and role of the nature of economic relations in construction as a sector of the national economy on the development of the national economy;

- examining the role and socio-economic significance of economic relations in the construction sector in the system of production relations;

- identifying directions for improving economic relations between investors and participants in construction activities;

-examination of the tasks of a complex management system of a construction company in the conditions of constantly changing economic relations;

-analysis of the profits and revenues of a construction company in the context of increasing state regulatory influence on the construction sector;

-determination of the development directions of the internal and external environment of construction organizations in the context of increased competition in the construction sector and active state intervention in the construction market;

- development and preparation of recommendations for the application of a methodology for determining the level of market reliability of a construction company in the system of dynamic economic relations;

-determining the development directions of the contract negotiation mechanism;

**Research methods.**In accordance with the nature of the issues being addressed in the research process, a systematic approach was used, statistical methods, statistical grouping, economic-statistical methods, comparative economic analysis methods, graphical representations, and statistical calculations were used to process primary data.

### **The main provisions put forward for defense:**

- The characteristics and features of the construction sector lead to the emergence of different economic relations between the participants in construction production in each act of construction, which fundamentally affects the development of construction;

- Since the construction sector ensures the creation and operation of tangible and intangible production resources and infrastructure, economic relations in the construction sector determine the pace of development of the country's economy;

- An agreement on the determination of responsibility and distribution of income between the customer and the contractor in accordance with the functions of the participants in the investment and construction process is an important condition for the start of construction production;

- The efficiency of investment and construction project management depends on the analysis of complex group indicators in accordance with priority areas across the phases of the construction company's life cycle;

- The unsatisfactory structure of construction companies' income and expenses, profit volume, and dynamics parameters currently hinder the development of the construction sector;

- The methodology for complex analysis of indicators for assessing the market reliability of a construction company allows determining their competitiveness;

- The organization and correct determination of the methods of conducting a competition in contract works is of exceptional importance in determining the price of a construction product.

- **Scientific novelty of the research.** The scientific novelty of the study consists of the following:

- it is justified that new economic forms and relations are constantly emerging based on the identification of specific characteristics and features of the construction sector as an economic process [1.s-40];

- the formation of economic relations in the construction sector was viewed as a process, and the establishment of new relations was justified for each construction and in accordance with the appropriate solution methods and the functions of the participants [2., p-60].

-the basic principles of the interaction process between construction entities through the application of new information technology have been investigated[2.s-61];

- the characteristics of production relations and organizational forms arising on the basis of the main functions of the participants in the investment-construction process are given, and the issues of dividing responsibility between the customer and the contractor in various options are considered [3.s-107];

-An analysis of complex group indicators of investment and construction project management in the conditions of constantly changing economic relations was conducted and the stages of analysis of the management system from the perspective of the life cycle of a construction company were determined [18. S-216];

-an analysis of the financial condition, income and expense composition of the construction company was conducted, the dynamics of profit before tax was studied, and a structural-logical model of factor analysis of the formation of retained net profit was given [4.s-514,15.s-119];

- the main groups of indicators for assessing market reliability in the constantly changing system of economic relations have been proposed and the development of an algorithm for determining its level and analyzing it has been improved [5.s-72,10.s-84];

- construction management is characterized by the level of specialization and concentration of production, the levels of cooperatization and combination are determined, diversification and its types, as well as options for strategic cooperation are considered and improved [11.s-99];

-In the constantly changing system of economic relations, the classification of methods of placing contract works and the organization and methods of conducting the competition were differentiated, and the costs of the customer and the bidder related to contract negotiations were determined [9.s-20];

- Classification of contract types was carried out according to the characteristics of contract contracts, and the classification of construction contracts according to the price formation method was improved [8.s-504,16.s-356].

**Theoretical and practical significance of the study** is that the main provisions, conclusions and proposals obtained create favorable conditions for the preparation of state economic measures aimed at the development of the construction sector, the effective management of the activities of construction companies, the development of economic programs for the construction sector, as well as the effective implementation of strategic planning and forecasting.

The results obtained in the research process, the proposed provisions, and the proposed methodological materials can be used by the Ministry of Economy, the Ministry of Finance, financial-industrial groups, holdings, etc., in the preparation and implementation of construction programs in cities and regions, as well as in the preparation of relevant decisions and regulatory legal



documents on the development of the construction market, as well as in the preparation of educational programs for the subjects "Construction Economics", "Construction Management", "Construction Marketing" at the Azerbaijan University of Architecture and Construction.

**Approbation of the research and application of the results of the work.**The main provisions of the research, the proposed proposals and recommendations were presented in the form of theses and articles at international and national scientific and scientific practical conferences, as well as at scientific seminars of the relevant departments of the Azerbaijan University of Architecture and Construction, and published in scientific journals. In total, 33 scientific articles and conference materials were published in connection with the dissertation work, 5 of which were published abroad.

**Name of the organization where the dissertation work was performed.**The dissertation was completed at the Azerbaijan University of Architecture and Construction.

**Structure and scope of the work.**The dissertation consists of an introduction, three chapters, a conclusion and a list of used literature. The total volume of the work consists of 162 pages. The work contains 30 tables and 20 figures. The total number of characters is 258315, including Introduction (10851 characters), Chapter I (73293 characters), Chapter II (73076 characters), Chapter III (77680 characters), Conclusion (4532 characters), and a list of used literature (18883 characters). The volume of the dissertation, excluding tables, figures, diagrams and used literature, is 237787 characters.

## **STRUCTURE OF THE DISSERTATION**

### **INTRODUCTION**

#### **CHAPTER I. THEORY OF ECONOMIC RELATIONS IN THE FIELD OF CONSTRUCTION - METHODOLOGICAL BASES**

1.1 Scientific theoretical study of the role and place of construction in the Azerbaijani economy.

1.2 The place and specific characteristics of economic relations in the construction sector in the system of production relations.

1.3 Investment - the role of production relations between construction participants in the development of construction.

#### **CHAPTER II. ANALYSIS OF THE FORMATION OF MODERN ECONOMIC RELATIONS IN THE CONSTRUCTION SECTOR OF AZERBAIJAN**

2.1 Determination and development of organizational-economic forms appropriate to the structure of economic relations in construction.

2.2 Analysis of the formation and distribution of profits and income in the system of construction economic relations.

2.3 Methodology and analysis of determining the level of market reliability in the construction sector.

#### **CHAPTER III. MAIN DIRECTIONS OF IMPROVING ECONOMIC RELATIONS IN THE CONSTRUCTION SECTOR OF AZERBAIJAN.**

3.1 Tasks and directions of economic regulation in improving production-economic relations in the construction sector.

3.2 Development of the contract bargaining mechanism in the system of economic relations in construction.

3.3 Improving the system of contractual relations in construction.

### **RESULT**

### **LIST OF REFERENCES USED**

## MAIN CONTENT OF THE DISSERTATION

The introductory part of the dissertation paper states the relevance and degree of development of the topic, the object and subject of the research, its goals and objectives, methods, the main provisions put forward for defense, the scientific novelty of the research, its theoretical and practical significance, its approval and application, etc.

**In the first chapter, entitled “Theoretical and methodological foundations of economic relations in the construction sector”,** A scientific theoretical study of the role and place of construction in the Azerbaijani economy, the place and specific features of economic relations in the construction sector in the system of production relations, and the role of production relations between investment and construction participants in the development of construction were investigated.

The characteristics and features of construction are determined by the specific features of its final product and the specifics of the production process. These features include special labor conditions, the specifics of the technical and technological base, the organization of production, management and logistical support. Also, factors such as the structure of funds, their appropriation and return are important features of the construction sector.

One of the most important features of construction is the diversity of its products. Since construction products differ in size, type, importance, cost and scale, their placement on the territory and the production process each time lead to the formation of a new system of economic and organizational relations. Each object can have completely different characteristics depending on its parameters.

In addition, the methods used for different types and stages of construction are also different. The specificity of the approaches chosen during the construction of industrial construction facilities increases the dynamism of this field. For example, there are significant technological and organizational differences between the construction of a power transmission line and the construction of a

residential building. Even within the same type of construction, products can differ in size, cost, and complexity.

At the same time, the construction process varies according to the characteristics of the location in which it is carried out. For example, the construction of a multi-storey residential building in large cities requires a more complex approach than the construction of a single-storey house in a rural area, since it requires its integration with engineering and communication systems. These factors necessitate the establishment of different strategies for planning and management in the construction field.

Despite all these differences, the construction field has common characteristics. These characteristics determine the essence of the construction process and the principles of its operation, regardless of the size, importance, and functional purpose of specific objects.

Among the general characteristics of the construction sector, first of all, its technical and economic characteristics can be noted:

- Organizational and technical complexity of construction products. The main products of the construction sector are stationary objects, usually large in size and heavy in weight. These objects can have a complex structure from a technical and technological point of view, as well as be of various natures.

- Technological interdependence of construction processes. All operations in construction production are closely interconnected and must be performed in a certain sequence. It is impossible to start the next process until one process is fully completed. This indicates the dynamism of the construction process and the high level of coordination required. Unlike other production areas, it is impossible to accumulate intermediate products in warehouses in construction processes. Each construction stage directly serves as a base for the next stage. In addition, the efficient management of labor and technical resources in the construction field is of great importance. Improper placement of professional staff and inefficient organization of working conditions can complicate the construction process.

All of these characteristics are key factors that distinguish the construction sector from other manufacturing industries and necessitate industry-specific management approaches.

In market conditions, the influence of not only vertical sectoral relations, but also horizontal relations of investors on the construction process is undeniable. In this context, construction, as an economic process, is not limited only to the construction of buildings and structures, but also includes the continuous investment activity of capital owners throughout their entire life cY.C.le. Thus, the implementation of the construction process becomes possible precisely thanks to this investment flow, and strategic development in the construction sector is formed depending on the area to which capital is directed. That is, the capital directed to the construction process serves not only for the construction phase, but also for the long-term operation of the facility and the preservation of its value.

The basis of market processes in the construction sector is no longer determined by the technological and organizational-structural unity of objects, as in a planned economy, but by the ownership of which entrepreneur they belong, the correspondence of the capital used to the form of ownership, and the principle of participation in the implementation of a specific investment program. This approach indicates that the main attention in the construction process is paid to the management of financial flows and the direction of capital, rather than to technical-structural coherence.

2. The basis for the restructuring of economic relations in the construction sector is the transition of all enterprises and companies operating in this sector to full commercial self-financing. This necessitates the application of economic methods of management and ensures that construction enterprises operate on the basis of market principles, thereby increasing their financial stability and competitiveness.

Economic methods of management are understood as a set of means and tools that purposefully influence the creation of favorable conditions for the organization of the activities and development of a company (firm). Economic means of the management mechanism operate in accordance with the socio-economic nature of the

company and are one of the main factors affecting the development of production and circulation in market conditions. In this regard, the study of innovations included in the content of commercial accounting, as an important method of management, is of particular importance. This method synthesizes both the management function and consists of economic means and tools aimed at measuring costs and results, and serves to ensure the profitability of production.

A construction company should be treated as an open system; this requires the company to establish economic relations with the external environment, consumers, competitors, suppliers, as well as public and government institutions. Therefore, the rapid change in the external environment makes it necessary to apply strategic management, marketing and management with an entrepreneurial approach. The company must not only adapt to the current conditions, but also move forward by seeking new opportunities in line with changing market conditions.

Improving the management of the investment cycle in construction based on the application of new information technologies is one of the most important issues in the context of the formation of the contracting market and the system of economic relations and requires its initial solution. For the successful management of information technologies in construction companies, it is important to predict events in advance based on systematic analysis of data.

The information used in construction management is based on the following main sources:

- Information in contract agreements and orders;
- Information characterizing the mutual relations of the participants in the investment-construction process;
- Information warning about violations at each stage of the investment cycle;
- Information on horizontal relations between interagency and executive agencies, etc.

Proper collection, analysis, and application of this data will ensure more efficient and transparent management of the construction process.

**Table: 1**

**Basic principles of organizing economic relations in the investment and construction complex market.**

<b>Principle</b>	<b>Features</b>
Private ownership	Market participants have the right to acquire resources, freely use them, realize them, and conclude contracts.
Freedom of choice	In the construction and investment market, entities can freely use their potential, direct their resources as they wish, and value them in the market.
Freedom of entrepreneurship	Each participant has the opportunity to independently plan the production process and freely market their products and services.
Personal interest	The main driving force of the market is the personal economic interests of the subjects, which directly affect their decisions and activities.
Competitive environment	The presence of numerous independent sellers and buyers in the construction and investment market ensures the formation of a competitive environment and regulates market dynamics.
Free price formation	Prices are freely determined based on the interaction of supply and demand, which maintains the natural equilibrium of the market.
The role of the state	State intervention in the market is limited and is mainly aimed at protecting the rights and freedoms of market participants by ensuring the implementation of laws.

*Source: Compiled by the author in accordance with the goals and objectives of the research.*

The basic principles of organizing the interaction processes of the investment and construction complex entities are given in Table 1.

These principles define the boundaries and norms of behavior of the subjects of the investment and construction complex. Their clear expression allows you to immediately identify the most important problems in the newly formed production relations. Based on these principles, it is possible to realistically and accurately assess the relevance of certain processes. Thus, a reliable basis is created for determining the effectiveness and relevance of activities in the field of investment and construction.

The vast majority of construction companies currently operating in the market are privately owned enterprises. According to 2023 statistics, the total number of micro, small and medium-sized enterprises operating in the country in the construction sector is 16,164. Of these, 164 are state-owned, and 15,999 are non-state-owned micro, small and medium-sized enterprises.

In the system of economic relations, participants in an investment-construction project have different roles and functions depending on the scale and complexity of the project. The distribution of functions and responsibilities between these participants is carried out in accordance with the requirements of the project. The size and complexity of the project ensure a more precise definition of the role of each participant and their more effective work through mutual cooperation. This ensures the successful and timely implementation of the project.

**3.** A brief description of production relations and organizational forms among the main functions of participants in the investment-construction process is given (Table 2).



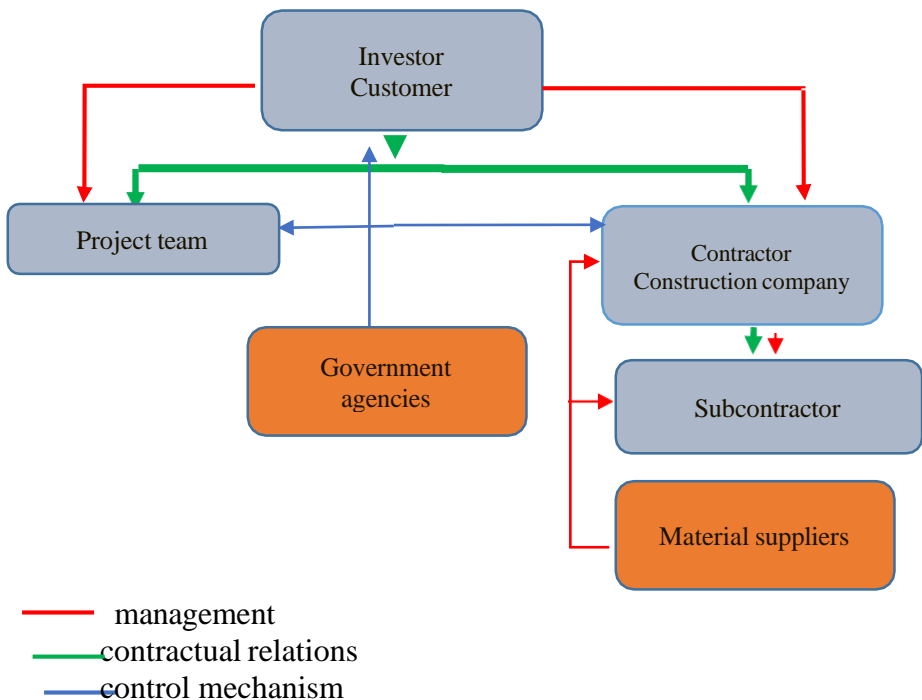
**Table 2.**

**Characteristics of production relations and organizational forms among the main functions of participants in the investment-construction process.**

<b>Participants</b>	<b>Main functions</b>	<b>Organizational structures</b>
<b>Investors and customers</b>	Secures project financing, sets project goals, and oversees implementation. Negotiates contracts with contractors and other service providers to ensure successful project completion and commissioning.	Government agencies, private enterprises, individuals, banks and credit institutions.
<b>Designers</b>	Develops architectural and engineering solutions, takes into account technical and functional requirements. Monitors the correct execution of project documentation, liaises with contractors, and obtains permits from government agencies.	Design institutes, engineering bureaus and design organizations.
<b>Suppliers and manufacturers</b>	Produces and supplies materials and equipment required for construction. Ensures timely delivery of materials to the project site and optimizes the supply process.	Factories, factories, enterprises producing building materials.
<b>Construction contractors</b>	Carries out construction work, builds infrastructure facilities in accordance with technical requirements. Ensures the provision of labor and necessary materials for the implementation of the project. Monitors construction quality and compliance with safety standards.	Contractors and specialized construction companies.
<b>Logistics companies</b>	Ensures timely delivery of construction materials, creates an efficient supply network, and manages logistics processes.	Companies that provide transportation, warehousing, and inventory management services.
<b>Transportation companies</b>	Provides transportation of material and technical resources needed for the construction site.	State and private transport companies.

*Source: Compiled by the author in accordance with the goals and objectives of the research.*

Depending on the characteristics of the object, in modern construction practice, various schemes of economic relations are applied between the participants of the investment-construction project in accordance with the specific requirements of the customer and the financial capabilities of the investor. This scheme of economic relations, which is suitable for each project, determines the characteristics and content of the parties to the construction contract, as well as the price formation process, ensuring a more efficient and successful implementation of the project. This approach makes it possible to correctly establish mutual agreements at each stage of the project and accurately meet the expectations of the parties.



**Figure 1. The principle scheme of production relations between the participants of an investment-construction project (compiled by the author based on the improvement of the traditional scheme).**

In the research work, the forms of the economic relations scheme between the participants of the investment-construction project were applied and examined in detail.

**In the second chapter of the research work entitled "Analysis of the formation of modern economic relations in the construction sector of Azerbaijan"**The identification and development of organizational and economic forms in accordance with the structure of economic relations in construction, the analysis of the formation and distribution of profits and income in the system of economic relations in construction, as well as the methodology for determining the level of market reliability in the construction sector and its analysis were carried out.

The formation and distribution of profits and revenues within the framework of modern economic relations in the construction sector were analyzed, the level of market reliability was examined, and the main indicators were summarized.

The work comprehensively analyzes the management of investment and construction projects in the context of modern economic relations, and identifies the main sources of management in the context of the life cycle of a construction company.

The following groups of indicators should be considered within the framework of the analysis of the management system of investment and construction projects:

- general financial and economic activity of the company;
- financial and economic efficiency of individual investment projects;
- the impact and added value of each project on the overall result.

The unique feature of a complex system is that it must comprehensively study both the general economic reality and individual economic entities. The main principles of this system are the definition of a single goal, completeness, systematicity, and mutual agreement.

The methodological basis of the management system is a set of methods and techniques used in the study of economic processes and results. In the organizational management system, this basis is supplemented by methods, objects and subjects of analysis. All these

factors together form a conceptual model that encompasses the analysis of the financial and management system.

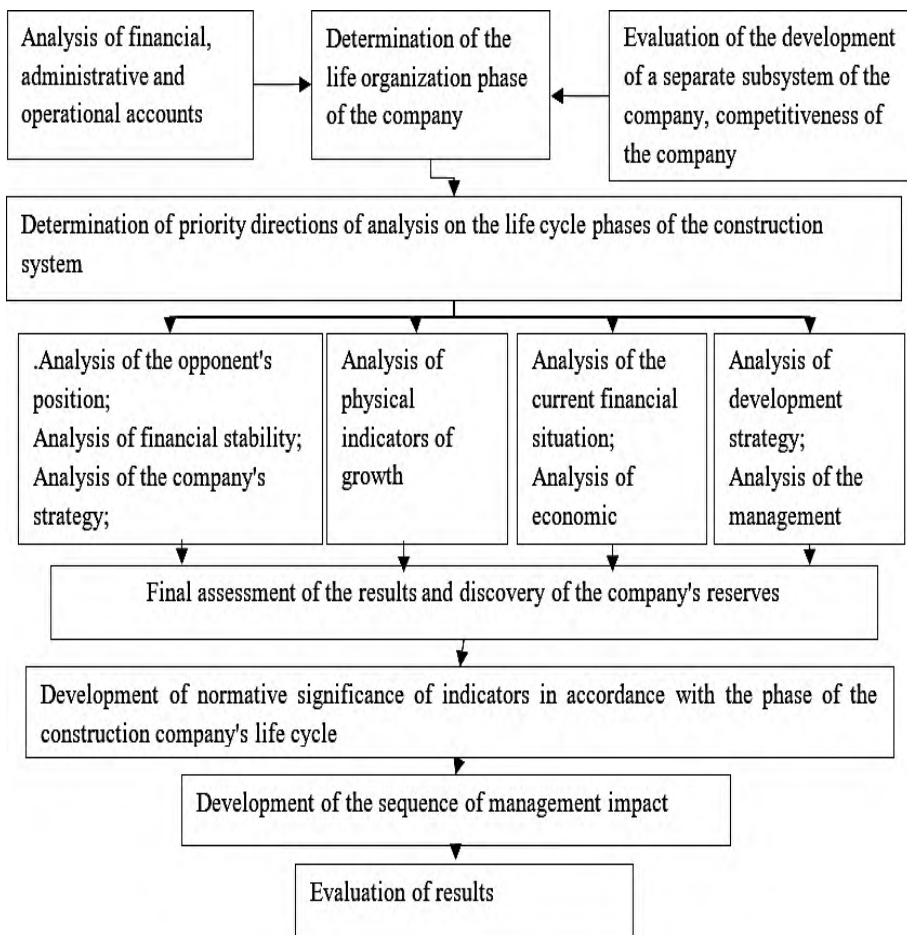
One of the main approaches in the formation of a conceptual model of complex analysis is the maximum integration of the construction company's management system with one of the integrated models. Within the framework of this approach, the complex implementation of the quality management system and other important management mechanisms should be taken into account.

Such an analytical approach allows not only to identify existing "defects" in company management, but also to flexibly optimize the management system, dynamically change business tactics and strategies. At the same time, this approach increases the company's stability, ensures faster adaptation to market conditions, and strengthens its overall competitiveness.

When conducting a comprehensive analysis of a management system, it is important to determine which stage of the life cycle a particular company is in (Figure 2). Many economists rightly emphasize that taking this factor into account plays an important role in modern economic analysis. They argue that the analysis of an organizational-economic system should be based on nonlinear dynamics.

Nonlinear behavior diversity implies the instability of management functions, as well as the presence of irregular trajectories. This approach allows for a more accurate assessment of the company's development process and more flexible and effective adoption of strategic decisions.

In the new economic environment, company managers pay special attention to profit forecast analysis. They compare different scenarios of future profit and try to identify the most favorable options.



**Figure 2. Stages of analysis of the management system during the life cY.C.le of a construction company in the system of modern economic relations (developed by the author).**

The formation of profit and loss in the modern system of economic relations is given in the research work. The analysis of income and profit indicators is of great importance not only in the internal management processes of the company, but also for external stakeholders - investors, business partners and other information

users. This analysis also allows for effective management of assets and more reasonable adoption of strategic decisions.

In practice, the concepts of “income” and “profit” are often used as synonyms. However, this is not entirely correct. In ordinary types of activity, income refers to the benefit obtained as a result of the sale of products and goods, the performance of work and the provision of services. In terms of accounting, profit is perceived as the receipt of certain cash, other property or receivables in the same amount. A correct understanding of the difference between these concepts is important for accurate financial reporting and effective economic analysis.

The dissertation presents a schematic representation of the structure of income and expenses of a commercial company in the system of economic relations.

The change in the amount of profit before horizontal and temporary taxation is carried out based on absolute and relative indicators and is determined by the following formula.

$$M_r = M_s + G_e - X_e + R_g - R_x$$

$M_r$  – profit (loss) before tax;  $M_s$  – profit (loss) from sales;  $G_e$  – operating income;  $X_e$  – operating expenses;  $R_g$  – non-realized income;  $R_x$  – non-realized expenses

Studies show that during the year under review, the profit of the construction company "Dolshasaray" decreased by 387.04 thousand manats or 31.9%. While the total share of profit from sales in the base year was 76.1%, 19.37% of the profit was pre-tax. As a result, a positive balance was formed on unrealized income and expenses.

However, the positive impact of unrealized income and expenses was weakened by the impact of the negative balance of operating income and expenses, decreasing to 4.5% (table 3).

**Table 3**

Composition of the profit of the construction company  
"Dolchasaray" for two years

Indicator	Base period (2022)		Reporting period (2023)		Dismissal		Rate of change, %
	One thousand manats	Specific gravity, %	One thousand manats	Specific gravity, %	One thousand manats	Specific gravity, %	
Revenue from sales	921.3	76.1	712.1	86.46	-209.2	+54.05	22.71
Balance of operating income and expenses	-54.73	-4.5	-82.93	-10.0	-28.2	-7.2	52
Including: -operating income	23.0	1.89	21.23	2.57	-1.77	0.45	-7.69
-operating costs	77.73	-6.42	104.16	-12.6	26.41	-6.82	33.9
Balance of unrealized income and expenses	234.6	19.37	28.56	3.46	206.04	-53.3	87.8
Including: -unrealized income	279.6	23.09	43.65	5.29	-235.95	-60.9	84.3
-unrealized expenses	45.0	-3.71	15.09	-1.83	-29.91	-2	66.4
Profit (loss) before tax	1210.63	100.0	823.59	100.0	-387.04	100.0	31.9

*Source: TableAccording to materials from the construction company "Dolchasaray"compiled and calculated by the author.*

Undistributed profit is used in accordance with the company's charter. These funds are used to pay dividends to the joint-stock company, form a savings fund, consumption and reserve funds. Also, part of the profit is directed to increasing special working capital and for other purposes.

In the company "SKS", whose activities were analyzed, 20.15% of the profit was used for dividend payments in 2023,

41.36% for the savings fund, -29.06% for the consumption fund, and -10.41% for the reserve fund (table 4).

**Table 4**

**Information on the use of net profit in the construction company "SKS", thousand manats.**

Indicators	Plan	Fact	Outlier +, -
1. Retained earnings	1230	1315	+85
2. Use of profit			
- payment of dividends	247	265	+18
- to the savings fund	484	544	+60
- to the consumer fund	368	369	+1.0
-to the reserve fund	131	137	+6.0
3. Share in distributed profits			
- dividends paid	23	23	-
-savings fund	43	44	+1.0
-consumption fund	32	30	-2.0
-reserve fund	12	12	-

*Source: TableAccording to materials from the construction company "SKS" compiled and calculated by the author.*

An analysis of the formation of funds shows that the volume of allocations to savings and consumption funds is mainly determined by changes in retained net profit and the share of funds directed to the relevant funds.

The market credibility of a construction company is measured by the level of trust and reputation it creates among customers, partners, investors and the public. This credibility is related to factors such as the quality of the products and services provided by the company, timely fulfillment of its obligations, financial stability and competitive advantage in the market. Market credibility is one of the main indicators that determine the sustainable development of a construction company, its position in the market and future prospects. A company with high credibility becomes more attractive to customers, partners and investors, which allows it to expand its market share and gain a long-term competitive advantage. In order to increase its credibility in the market, the company should pay special



attention to customer satisfaction and financial sustainability, while at the same time developing social responsibility and innovation strategies.

Quantitative assessment of market reliability is determined based on a system of specific indicators, and these indicators reflect the current market situation, as well as the efficiency of the construction company's activities in conditions of financial and economic dependence.

To accurately determine the market reliability of a construction company, it is advisable to conduct the assessment process in two main stages: economic reliability and financial reliability. While economic reliability indicates the company's compliance with market requirements, sustainability and competitiveness, financial reliability is measured by its financial stability, ability to fulfill debt obligations and investment attractiveness. This approach allows you to more accurately analyze how strong a construction company is in the market and its future development prospects.

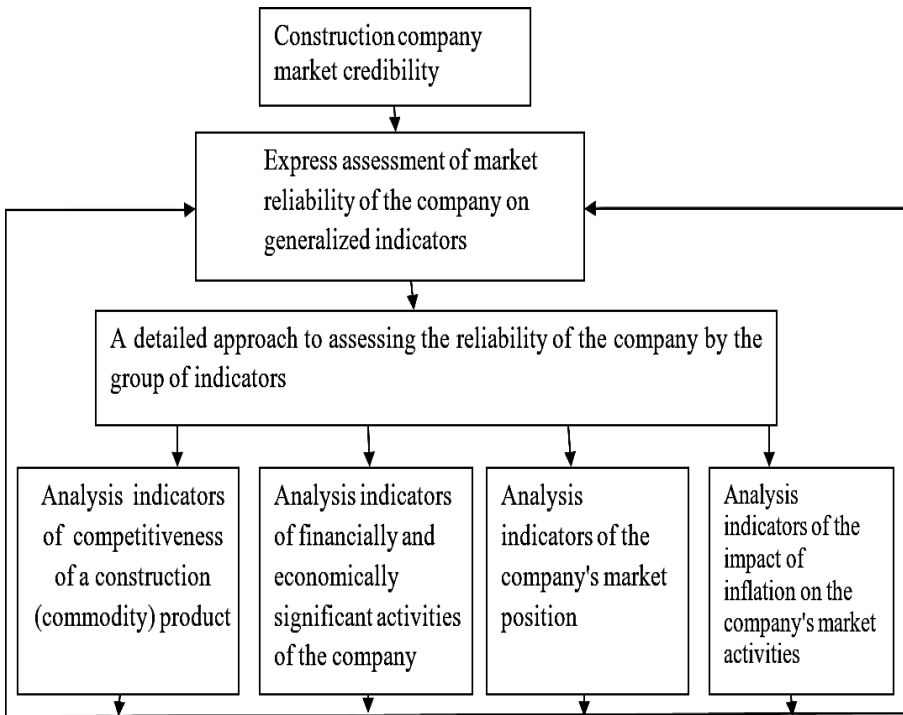
The main groups of indicators used to assess the market reliability of a construction company are presented in Figure 2.

To conduct an express analysis, it is important to select, calculate and analyze generalized indicators characterizing the market reliability of a construction company. Within the framework of the first approach, it is recommended to use the following key indicators in this analysis:

1. The integral indicator of the relative competitiveness of the company's construction (commodity) product ( $\sigma_{tik}$ ) - this coefficient allows you to assess the company's competitive advantage in the market and the position of its product relative to other market participants.

2. The company's net profit (NPV) - this indicator reflects the financial result of the company's activities and is one of the main indicators of its sustainability.

3. Share Price Index (SPAR) – used to determine the market value of a company's shares and assess their investment attractiveness.



**Figure 3. System of indicators for assessing market reliability in the new economic relations system (developed by the author).**

4. Earnings per share (EPS) is an indicator that measures the income earned by shareholders and is important for analyzing investment prospects.

Each of these indicators is important for assessing a company's market credibility and, through a comprehensive approach, creates a more complete picture of the company's financial stability, investment attractiveness, and competitiveness.

The competitiveness of a construction product is determined by its degree of differentiation from other products in the market and its compliance with customer requirements. This indicator is assessed based on the mutual analysis of several key factors, such as product quality, functionality, price, and the effectiveness of the marketing strategy.

To maintain and further strengthen their competitive advantage, companies must use innovative technologies, monitor market trends, and deeply research customer needs. In addition, the production of environmentally friendly, sustainable, and energy-efficient products also contributes significantly to strengthening their market position.

Market analysis enables construction companies to make strategic decisions and strengthen their position in the competitive environment. Companies can gain competitive advantage by increasing their internal potential, applying flexible approaches in line with market requirements, and using digital technologies. This approach is also necessary to reduce market risks and ensure sustainable development.

Analysis of financial and economic indicators is of great importance for assessing the current state of the company, improving its efficiency and ensuring its sustainability. Based on the results of the analysis, the company can optimize its business plan and take a more competitive position in the market.

Inflation, that is, the general increase in the price level, can have a serious impact on a company's value indicators. These effects are manifested both in the difference in the nominal and real values of financial indicators, and in changes in the effectiveness of decisions regarding the company's activities. During the analysis, it is of primary importance to assess the impact of inflation on the company's income, expenses, value of assets and other financial indicators. Inflation can have both positive and negative effects on a company's value indicators. These effects depend on how the balance between the company's income, expenses, assets and liabilities is established. Companies need to optimize costs, adjust pricing policies and diversify their investment portfolios to manage the effects of inflation.

These indicators not only reflect the main aspects of external activity in the market, taking into account a wide range of product participants and investors (customers), but also determine the reliability and sustainability of this ratio in the future. This is a factor

that ensures the predictability of market relations and economic processes, increasing the accuracy of strategic decisions.

In a detailed analysis of the market reliability of a construction company, groups of indicators are considered sequentially in the work.

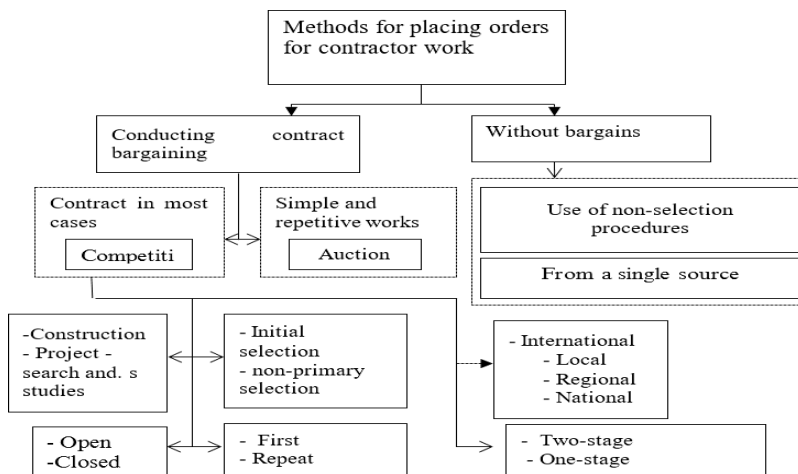
The previously reviewed detailed analysis of the group of indicators describes in detail the mechanism for assessing the market reliability of a construction company. The use of a single methodological approach to the calculation and analysis of all types of construction company reliability is carried out based on the stages of determining market reliability and is detailed in the work.

The research paper provides an algorithm for determining and analyzing the level of market reliability in the system of economic relations.

**In the third chapter of the dissertation entitled “Main directions of improving economic relations in the construction sector of Azerbaijan”,** The tasks and directions of economic regulation in the improvement of production-economic relations in the field of agriculture, the development of the contract bargaining mechanism in the system of economic relations in construction, and the improvement of the system of contracting relations in construction were carried out.

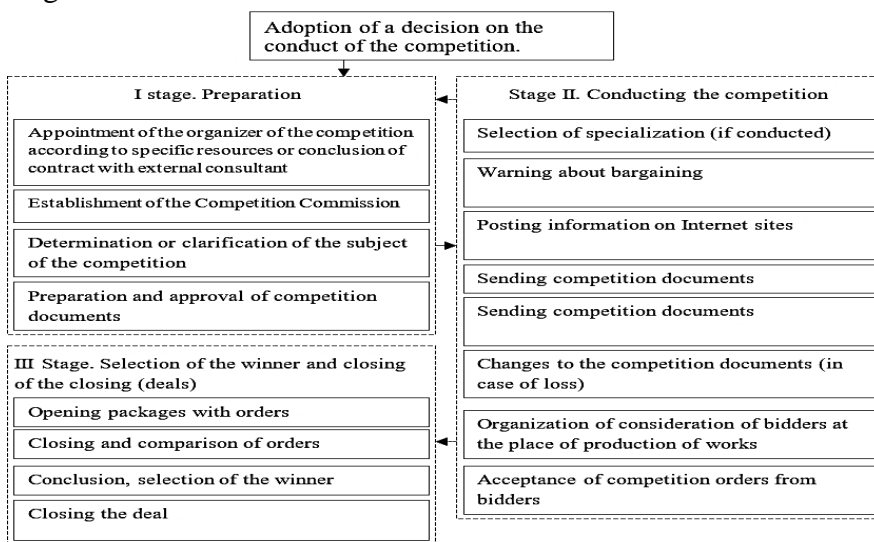
The work identifies the characteristics of construction management by the level of specialization and concentration of production, the levels of cooperatization and combination. These approaches ensure that the construction sector operates more systematically and efficiently. Specialization and concentration allow for more targeted use of resources and the implementation of large projects, while cooperatization and combinations allow partners to come together and implement projects on a larger scale.

The methods of placing orders for contract work can be classified as follows (Figure 4).



**Figure 4. Classification of methods of placement of contract work in the system of economic relations (developed by the author).**

The activities and main competition procedures for organizing competition in the system of economic relations are reflected in Figure 5.



**Figure 5. Organization and methods of conducting a competition for contract work in the system of economic relations (developed by the author).**

In order to protect the customer from biased bidders (demanders), during contract negotiations, certain requirements are imposed on the contractor to secure the competitive order (application). This security may be in the form of a bank guarantee, a pledge or another guarantee. The guarantees must be submitted by the bidders in a timely manner in accordance with the rules specified in the competition documents. After the results of the competition are approved by the customer, the competition is considered completed.

The classification of construction contracts (deals) according to the price formation method is shown in the work in the form of a scheme. A contract means a contract concluded for a specific construction project or service. This term is more focused on construction and engineering projects and is used in those areas.

The most important of the new scientifically substantiated and generalized conclusions and recommendations aimed at the formation and improvement of economic relations in the construction sector during the research are given below:

1. Based on the theoretical and methodological foundation established by economic science that new production relations can accelerate the development of productive forces, it has become an objective necessity to improve economic relations in the construction sector, an important material production sector of the Azerbaijani economy, to a level that allows meeting the country's ever-growing demand for construction products, based on the constant improvement of economic relations. The facts such as the rather high prices in the construction products market, especially in the housing construction market, and the fact that the apartments offered for sale are not fully ready for occupancy, show that there is a huge mismatch between demand and supply in the construction products market, and in order to eliminate this, it is necessary to form economic relations that will allow for the rapid development of the construction sector and change the content of state regulatory measures.

2. The main feature of construction as a sector of the national economy is that the type of its finished product and the production stage are determined by the diversity of each construction product, which leads to the difference in the labor applied to each construction

product, the organization of construction and production, the distribution of financial resources, and technical support. In the process of producing a construction product, different economic relations arise between the participants, arising from the nature of the product, and each new product requires different economic relations, the correct reflection of the interests of the parties of which plays a very important role in the development of construction.

3. One of the main differences between the construction sector and other production sectors is that at the very beginning of the construction production process, as a necessary condition for the production process, there must be consent from the landowner, the manufacturer of the construction product and the relevant executive authorities of the state for this production to take place, and this consent must be obtained repeatedly for each separate production act. It is this feature that affects the speed of development of construction. Although in recent times, as a result of state regulation, the number of state authorities issuing this consent has been minimized, the speed of development of construction has not increased.

4. The economic mechanism that allows the rapid development of the construction sector is determined by the method of distribution of income generated in the sector. Although income generated in the construction sector is distributed in the form of appropriate economic forms, profits, dividends, interest, state taxes, the real distribution differs sharply from these forms, since the parties that allow the start of construction production receive their income from the very beginning, before the start of production, that is, when signing the permit document. In the course of the study, the process of distribution of income in the construction sector was analyzed and it was determined that the income of construction companies before official taxes is close to the level that would satisfy them, but the income after tax payment does not create an incentive for development.

5. Depending on the nature of the construction object, the competitive attraction of orders for contract works increases the competitiveness of the construction work (company) and serves the interests of the participants in the investment and construction

project. Since the customer of the main part of the construction product in the construction field is the state, there is a great need to improve the special mechanism for placing state orders and the practice of conducting tenders. Although state orders in the construction field in Azerbaijan are implemented in accordance with the scheme of international practice, the presence of external interference in the conduct of these tenders leads to both inefficient spending of state funds and failure to meet the needs for that product.

6. Due to the low supply of construction products, especially in the housing construction market, the high prices of apartments have led to the state implementing various projects over the past 10 years to meet the needs of the population with a strong demand for housing and incomes at the average wage level. The most important of these and having a real impact on the construction products market is the project of the State Housing Construction Agency (MIDA). The prices of the apartments offered by MIDA to the housing market have significantly exceeded those of private housing construction companies in terms of both the location and the complete renovation. The root of this competitive advantage lies in the state's creation of favorable production conditions for MIDA, the elements of which are the absence of obstacles to the allocation of land, obtaining a construction permit, obtaining a permit for the compliance of building projects with architectural conditions, obtaining a certificate of compliance with construction norms, and obtaining a permit for connecting to the electricity, water, and gas networks. Therefore, it is necessary to create the same economic conditions for private construction companies, based on the elimination of these obstacles, which will ensure the rapid development of the construction sector, and the use of the state's name and the powers granted to it for their own purposes.



**The main provisions of the dissertation, the results obtained and the proposals made are reflected in the following published articles:**

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The dissertation defense will be held on May 30, 2025 at 11:<sup>00</sup> at a meeting of the ED-1.10 dissertation council operating under the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan.

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The dissertation can be viewed in the library of the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan.

Electronic versions of the dissertation and abstract are posted on the official website of the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan (economics.com.az).

The abstract was sent to the necessary addresses on April 22, 2025

A handwritten signature in blue ink, appearing to be 'A. Javid', is located at the bottom left of the page.





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