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State Support for Business Development in the World and in the Republic of Azerbaijan

Abstract.

The article discusses the current problems of using state support mechanisms for the development of small and medium businesses in Azerbaijan and the subsequent use of their competitive advantages at the current stage of a market economy. Great attention is paid to the current state of development of small and medium entrepreneurship (use of state support tools based on the Concept of long-term socio-economic development of Azerbaijan, the development program of regions). In the near future, small and medium businesses are considered the most important stabilizing factor in the socio-economic development of the country and its regions. The article reflects information on business development services, support such as non-financial services and products offered to entrepreneurs at different stages of their business needs. This article focuses on the development of small and medium-sized businesses and the role of government support in this process. It examines the mechanisms of government support for small and medium-sized businesses and measures to improve them in Azerbaijan. The final section of the paper offers some conclusions and proposals for increasing business funding in the country.

Keywords: small business, medium business, business development, state support, socio-economic development.

Introduction

Along with the process of SME development on an international scale, the field of business support is also growing. A number of business support options have been developed and can be applied for the development of small businesses. However, for such support to be effective, basic criteria must be applied. Business development services are important because they can help entrepreneurs run their businesses more effectively and, if implemented appropriately, can act as an enhancer of access to finance and an alternative “collateral” in situations where material collateral may be an obstacle. Although the state has from time to time proposed strategic directions in terms of SME development, there is still no consistent and targeted delivery of such support across the country.

Some programs in our country are supported by the state and work to offer a range of services in terms of local needs. However, in general, there are a number of barriers facing entrepreneurs in need of support. For example, rural areas are very poor in resources and services. Among the main findings of this part of the study, we identified that programs are not sufficiently gender-specific and have little awareness of the constraints faced by women. Another critical issue is that insufficient attention is paid to the needs of women’s enterprises at different levels. Thus, there is a need to better differentiate programs in terms of their objectives related to poverty reduction, sustainable development or job creation. Finally, these programs should be integrated with access to financial strategies for women.

Research

Small and medium-sized businesses (SMEs) are one of the key sectors of the economy at the modern stage. They play an important role in overcoming the consequences of the crisis and in further qualitatively improving the Azerbaijani economy. Small businesses have potential opportunities, they allow enterprises to be more mobile and have competitive advantages in the dynamic environment of a market economy. In the process of creating and further developing small businesses, new jobs are created, fair competition is formed, and the market is rapidly saturated with

necessary goods and services. It should be emphasized that innovations are more actively implemented due to the development of small and medium-sized businesses. Therefore, this sector of the economy is an instrument of future development, which is directed by state structures, as well as entrepreneurs (Imanov, 2009).

Small businesses are inherently unstable entrepreneurial structures; they are more dependent on market fluctuations and need state support in various forms. Therefore, state regulation and support of entrepreneurial activity is a condition for the stable and efficient functioning of small and medium-sized entrepreneurship structures in the context of the transformation of the economic system, the development of its market forms and the establishment of institutional infrastructure. Azerbaijan is also establishing an effective state regulation and support system for small and medium-sized businesses.

This problem is by its nature a long one, but it is still relevant for the purposes of the study. “In countries with a market management system, state policy considers small businesses not as a small model or an intermediate stage in the development of a large firm, but as a special model with specific characteristics and laws of development and requiring a special approach. It is the state that determines the fate of small business. In most developed countries, the state provides some kind of advantages to small business, which ultimately allows increasing the viability of small businesses. Stabilization of small business activities in such countries is ensured by law” (Imanov, 2009).

Today, the system of state regulation and support of SMEs (excluding legal, financial, consulting support, support for the development of infrastructure of small and medium-sized businesses, livelihoods, support for innovation activities, support in the field of individual training and retraining, international cooperation in small and medium-sized businesses) requires the development of effective tools that allow taking into account strategically important growth directions characteristic of countries with an innovation-based economy. The search for effective mechanisms for the development of entrepreneurial activity is carried out in the following directions:

financial and property-related, infrastructure, information, institutional, structural and functional relations (Gafarov, 2015).

In the system of state regulation and support of small and medium-sized businesses in Azerbaijan, the tools for supporting strategically important economic sectors, called "growth points", are poorly developed. In our study, these "growth points" include SMB in the business service sector in the field of advertising, HR consulting, engineering, financial intermediation, legal services, development and realtor services, Web and Digital services. Along with environmentally friendly business, technological business should also be considered as strategic development points.

The structure of the support tools for growth points can take into account profiled enterprises, they can also be provided for modernization, microfinancing, grants for individuals wishing to become entrepreneurs, investment loans, investments by purchasing shares in the authorized capital. Small and medium-sized businesses of the Republic of Azerbaijan are concentrated mainly in the areas of trade and services to people. According to the government's estimates for 25 years of development, the entrepreneurial economy represents 1/3 or more of the gross domestic product and 1/5 of the gross regional product. However, in the list of directions for state regulation and support of small and medium-sized businesses, we have more We have not identified the development directions of entrepreneurship in areas and directions that could confirm the transition to innovative development.

These areas include the business service sector, environmentally friendly business, etc. According to the types of economies proposed in the Global Competitiveness Report, entrepreneurial activity is determined in three groups of countries of the world:

- Group 1. Factor-driven economies.
- Group 2. Efficiency-based economies.
- Group 3. Innovation-based economies (Gafarov,2015).

Along with Azerbaijan, the group of countries with efficiency-based economies should include Argentina, Bosnia, Brazil, China, Colombia, Croatia, Chile, Ecuador,

Estonia, Guatemala, Hungary, Indonesia, Jamaica, Latvia, Lithuania, Macedonia, Malaysia, Mexico, Panama, Peru, Poland, South Africa, Romania, Slovakia, Suriname, Thailand, Uruguay.

The 3 groups of world economies include Belgium, Canada, Czech Republic, Finland, France, Great Britain, Germany, Greece, Netherlands, Israel, Ireland, Italy, Japan, Korea, Luxembourg, Norway, Portugal, Puerto Rico, Spain, Singapore, Slovenia.

These countries demonstrate high activity in the service sector for business. In this case, sustainable competitive advantages are determined by innovations. The following points are identified as the main approaches to the implementation of the strategy of state support for small and medium-sized businesses:

- Support at different levels: federal, regional and municipal support for the development of small and medium-sized businesses;
- Experience in the development of the life cycle of SMEs, from registration to the implementation of deep-rooted entrepreneurial activity, as well as the decision to change the profile or terminate the activity;
- Reducing administrative barriers at the initial stage, taking into account the specific stages of the development of SMEs, or improving the mechanisms of state regulation and support of their activities;
- Approaches to ensuring the implementation of factors that stabilize the development of SMEs in terms of risk and uncertainty of entrepreneurial activity;
- Legal support for the activities of SMEs, including audit fees, the ability to choose special tax regimes, tax amnesty, etc.;
- Institutional support for the development of small and medium-sized businesses in connection with the development of state regulation and support institutions.

The main approaches to the strategy for the implementation of state support for small and medium-sized businesses in industrialized countries also include the following aspects (Hasanov, 2023):

- Increasing the skill level of managers;

- Solving regional problems, especially the development of depressed regions;
- Development of technological businesses, taking into account the problem of access to venture financing;

State support for entrepreneurship is the purposeful creation of economic and legal conditions, the creation of incentives for the development of entrepreneurship, as well as the allocation of material and financial resources to it on preferential terms. These goals are achieved if the state stimulates changes in public consciousness, directs it to the vital interests and values of the middle class, forms a positive attitude towards entrepreneurial activity in various segments and groups of the population. to satisfy the need for products and services, as well as a possible way of life. It is necessary to help citizens make a conscious choice - to become an entrepreneur or remain an employee, to invest in production or use them for personal consumption.

The development of positive self-awareness of entrepreneurs based on the principles of social responsibility and business ethics is of great importance. Apparently, only in this case can entrepreneurs become an independent socially active group with common interests, capable of becoming a pillar of the state and an integral element of civil society (<https://smb.gov.az>).

From the point of view of the entrepreneur, it is the state that creates the conditions under which he can effectively achieve his goals (profit maximization, investment efficiency, risk minimization, property and personal protection, etc.).

From the point of view of the state, the entrepreneur is called upon to ensure the implementation of higher-level goals and interests (increasing social welfare, ensuring employment, strengthening national security, economic assistance, etc.). .

An effective state policy can be implemented in the area where the goals and interests of the state and business intersect. This implies the state's strategy and tactics related to entrepreneurship (<http://azstat.org>).

The real goal of economic reforms is to create an efficient economy that ensures a high standard and quality of life for the population. Azerbaijan's worthy participation in the world economic community, developed small business is a unique and effective means of achieving these goals. Small business is an integral element of the modern

market economy system, without which the economy and society as a whole cannot exist and develop normally.

The main instrument for implementing state policy is federal, regional (interregional), sectoral (intersectoral) and municipal programs for the development and support of small business.

The main objectives of state policy in the field of development of small and medium-sized businesses in Azerbaijan are:

- 1) Development of small and medium-sized businesses in order to create a competitive environment in the economy of Azerbaijan;
- 2) Ensuring favorable conditions for the development of small and medium-sized businesses;
- 3) Ensuring the competitiveness of small and medium-sized businesses;
- 4) Assistance to small and medium-sized business entities in promoting their goods (works, services), results of intellectual activity in the market of the Russian Federation and in the markets of foreign countries;
- 5) Increase in the number of small and medium-sized enterprises;
- 6) Ensuring employment of the population and development of self-employment;
- 7) Increase in the specific weight of goods (works, services) produced by small and medium-sized enterprises in the volume of gross domestic product;
- 8) Increase in the share of taxes paid by small and medium-sized enterprises in tax revenues of the budget, in the budgets of constituent entities of Azerbaijan and in local budgets (<http://interfax.az/>).

One of the obstacles to effective support for small businesses at present is the lack of efficient infrastructure facilities supporting the activities of small businesses.

Large enterprises create their own infrastructure: training centers, marketing and legal departments, communication infrastructure (access roads, engineering networks, etc.), open representative offices and stores, create their own banks and social facilities for their employees.

Small businesses cannot do this. But the rules in the market are the same for everyone. Therefore, in order to successfully compete with the company's products,

the head of a small business should consult with an experienced lawyer, conduct marketing research, and be able to sell goods through a distribution network (<http://interfax.az/>).

The infrastructure to support small businesses should provide such an opportunity on favorable terms. Despite the fact that dozens of small business support infrastructure facilities have emerged and are operating in recent years, it is obvious that a comprehensive and effective support infrastructure cannot be created and exist without the support of state and local authorities.

That is why one of the first tasks is to create a comprehensive infrastructure to support small businesses at the district and municipal levels.

The small business support infrastructure is a set of state, non-state, public, educational and commercial organizations that regulate the activities of enterprises, provide educational, consulting and other services necessary for business development, and provide an environment and conditions for the production of goods.

The infrastructure to support small and medium-sized businesses includes the following.

- Entrepreneurship development centers and agencies,
- State and municipal entrepreneurship support funds,
- Credit assistance funds (guarantee funds, surety funds),
- Investment funds attracting investments for small and medium-sized businesses and closed investment funds;
- Technoparks,
- Science parks,
- Innovation and technology centers,
- Business incubators,
- Craft chambers and centers;
- Subcontractor support centers,
- Marketing and training and business centers,
- Agencies supporting the export of goods;
- Leasing companies,

- Consulting centers and other organizations.

The Azerbaijan Small and Medium Business Development Agency was established by the Decree of the President of the Republic of Azerbaijan dated December 28, 2017. By the Presidential Decree dated June 26, 2018, the Agency was renamed the Small and Medium Business Development Agency. The Charter and structure of the Agency were also adopted by this Presidential Decree (Korotina N, 2020).

According to the Decree of Mr. Ilham Aliyev dated July 2, 2019 “On coordination of programs (projects) financed by foreign states and international organizations to support entrepreneurship”, programs (projects) financed by foreign states and international organizations in the form of loans, technical assistance or grants to support micro, small and medium-sized enterprises in our country are implemented in coordination with the Agency.

The Agency implements support measures in accordance with the Presidential Decree dated May 29, 2019 on approval of the “Rules for state support for the study of the domestic market in order to stimulate competitive production among micro and SME entities” and pays benefits to entrepreneurs for support.

According to the decision of the ARNK dated September 30, 2020, in accordance with the “Rules for financing educational, scientific, scientific-research and support projects related to the improvement of micro and SME”, the organization of competitions for the implementation of financing for educational, scientific, research and support projects related to the improvement of micro and SME entities, as well as the implementation of financing, is provided by the SME Development Agency of the Republic of Azerbaijan.

Supporting access of SME business entities to retail trade networks In accordance with the Decree of Ilham Aliyev, the “Regulations on supporting the expansion of sales of products produced by micro and SME entities in retail trade networks” It is carried out by the Agency in accordance with the Rules.

Conclusion

Developed small business is an indispensable condition for the stable economy of the country, as well as individual regions. The most important condition for the realization of the potential of small entrepreneurship is an effective system of state support for business entities. Significant changes in the level of development of small business in different regions of Azerbaijan depend on many factors. Thus, there is a fairly developed small and medium business in our country. In this regard, it was noted that entrepreneurs should be advised to focus their attention on other areas of the economy that are suitable for small and medium business. The state should provide small business entities with full information, consulting, property, financial and educational support. The state provides business development with financial, technical and other resources on preferential terms and is not limited to supporting private initiative at all costs. The state, first of all, seeks to create a legal and economic environment that will allow small and medium business not only to survive, but also to grow and strengthen. The current situation in the field of small entrepreneurship in our country shows that, thanks to the positive intervention of the state, it leads to rapid development. There is a need to reconsider and effectively implement the mechanisms of state regulation of small and medium-sized businesses. Orientation to small business is currently the most important element of the state's economic strategy. The article emphasizes the importance and necessity of state support for small and medium-sized businesses.

1. It is necessary to dramatically increase the amount of government assistance for business organization and ensure its transparency. The volume of loans from the IDF should increase significantly;
2. To stimulate entrepreneurial activity, it is necessary to improve the regulatory framework, especially in the tax and customs systems;
3. It is necessary to continue the practice of non-interference by tax and other government agencies in the affairs of entrepreneurs through unscheduled inspections;

4. Not a single bank in the top 100 global banks operates in Azerbaijan. It is necessary to invite foreign banks to the republic; this will increase competition between banks and reduce interest rates. And the more investment in the economy, the more efficient it is. To attract leading banks, it is urgent to improve banking legislation;
5. State support in the area of export promotion will help private businesses enter global markets, and the country will export finished goods rather than natural resources;
6. Azerbaijan, which has about \$70 billion in foreign exchange reserves, should actively engage a significant portion of them in business activities rather than keeping them as dead weight in banks.

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